DUNDEE REALTY CORPORATION

1999 ANNUAL REPORT

Room to move

From e-business to big business. From start-up to grown up. As the architecture of business changes, so too does the reality of work space. With a portfolio of 12½ million square feet, concentrated in attractive, well located office buildings as well as suburban industrial and flex space, Dundee Realty is helping the most dynamic businesses use real estate to their best advantage.

Operating room

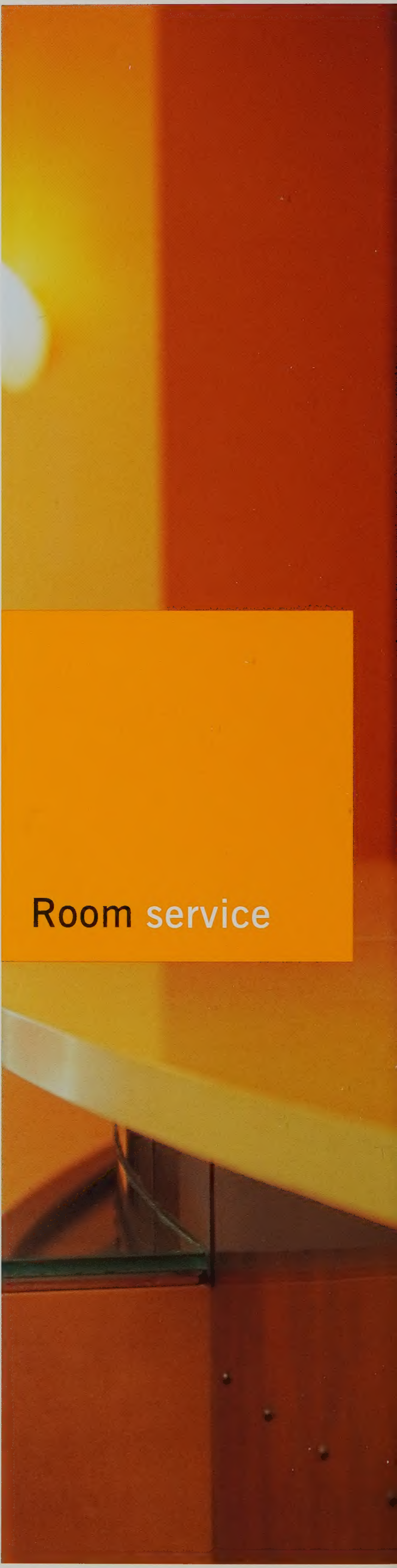
◄ GEORGE GALLEY, MANAGER OF
CORPORATE REAL ESTATE AND PROCUREMENT

Ericsson Canada Inc.

A world leader in the telecommunications and data communications industry

"Our 1,300-person Research and Development group in Montréal thrives on the spontaneous interaction that a campus setting offers. But in order to respond to technology-driven change, we need to be able to expand and contract our premises as our needs evolve. Dundee Realty has been sensitive to this as well as our need to impose our own space-planning grid on our premises."

We take a long-term view of our relationship with Ericsson, and have even moved our own offices to give them more space. We've also integrated two of our buildings with two others they occupy to create a cluster of properties that forms the nucleus of the research park they envision for their Montréal operations.



IAN SAVILLE, EXECUTIVE VICE PRESIDENT ▶

Cossette Communication Group

The largest communications/marketing group in Canada

"Top creative talent is essential to generating a constant stream of new ideas for our clients. Our people stay fresh because we frequently reconfigure our teams in a flexible work environment that suits their attitude. The quality of light, the fitness area and even the cappuccino bar all matter. And now that we're a public company, it's even more important that our premises offer value for shareholders."

We retrofitted 931 Yonge six years ago to meet Cossette's unique requirements. After they won the Bell account, they moved part of their group into our building at 21 St. Clair East. Now that they've grown again, they've asked us to help them find contemporary premises where they can consolidate their creative teams and still grow.

Clean room

ALLAN MACFARLANE, CHAIRMAN ▶

Contract Pharmaceuticals

A leading contract manufacturer and packager of pharmaceutical products

"Our success depends on meeting extremely stringent production standards. Dundee Realty understands our issues – they provided the expertise necessary to create our clean rooms and continue to help us whenever standards change. Brand name drug companies need to be confident of our ability to meet their requirements. Even before they ever cross the threshold, the appearance and quality of this building gives them that assurance."

Contract Pharmaceuticals' growth has come from taking over other drug companies' manufacturing. When one firm decided to exit Canada, Allan Macfarlane asked us if we would consider buying their plant and leasing it back to Contract Pharmaceuticals. We agreed, and in helping our tenant expand, we acquired a state-of-the-art facility in a key market at half its replacement cost.

Room to grow

RICK JOHNSTONE, DIRECTOR OF REAL ESTATE ▶

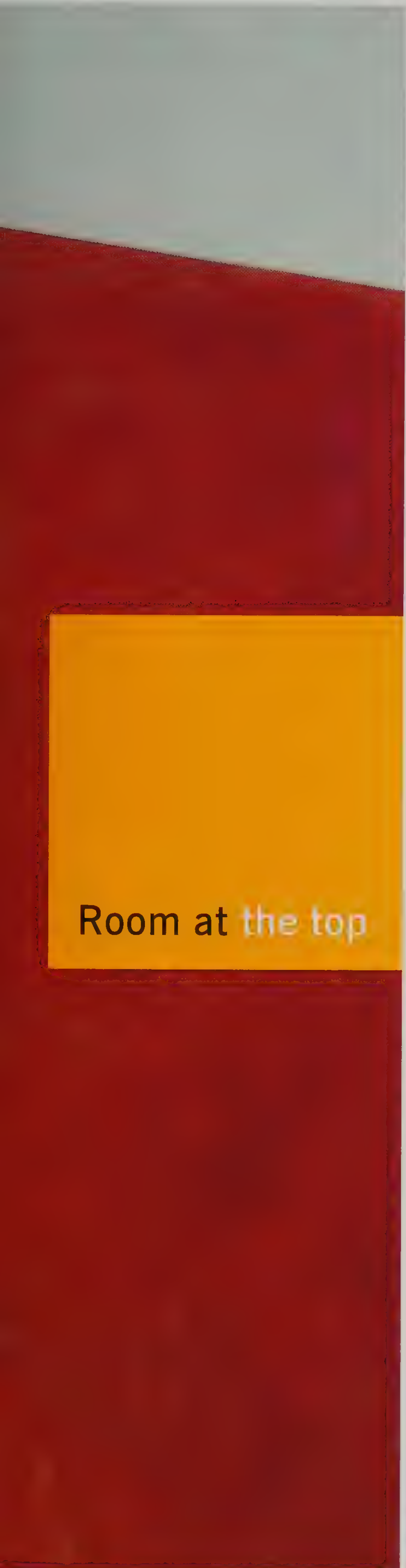
HMV North America

The world's premier music retailer

"With growth accelerating and our North American operations being run out of Toronto, we've had to expand our premises four times in the last three years alone. Now we need room to accommodate the rapid growth in our newly-launched e-commerce channel – HMV.com. We've asked Dundee Realty to look into alternatives for us, including a design-build warehouse and office operation all under one roof."

As HMV has grown, we've upgraded technical specifications and knocked out walls to the point where they now occupy all the space in what was originally a multi-tenant building. We're looking at several potential sites with HMV to create what we think will be an ideal solution for their phenomenal growth.


MV



MARTIN VANDEWOUW, OTTAWA REGION REAL ESTATE

Nortel Networks

A global leader in telephony, data, wireless and wireline solutions for the Internet

"At Nortel Networks, we've vapourized the concept of the executive suite and space related to positions. Here you're valued for the work you do. To attract and retain the best people, we focus on creating a distinctive environment where people want to come to work. These environments must be responsive to our technical needs and the volatility of our industry."

Open architecture isn't just relevant to software developers – tenants like Nortel often reconfigure their space many times during their lease term as they regroup work teams. Having clusters of buildings in key markets allows us to respond quickly when our tenants' requirements change overnight.

MICHAEL COOPER
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NED GOODMAN
CHAIRMAN OF THE BOARD

Room to move

After three years of rapid expansion that saw our asset base grow to over $1 billion, in 1999 we turned our attention to fine-tuning our portfolio and operations with positive results. We disposed of almost 700,000 square feet of non-core assets and achieved average occupancy of 94% across the stabilized assets in our 12½ million square foot portfolio. Cash flow from operations increased by 11% to $41.6 million or $0.23 per share.

[illegible]

Our goal is simple – to provide space that meets our tenants' needs at the lowest possible cost. We continue to focus on serving the fastest-growing segments of the economy with a portfolio comprised of attractive, well located office buildings as well as suburban industrial and flex space. In general, we're not interested in the trophy assets so many other companies are chasing. The market we're targeting is potentially more lucrative because there's significantly less competition.

[illegible] TO DYNAMIC GROWTH

Of the 1,800 tenants with whom we work, more and more are participants in the new economy. And just as the firms generating real profits from the web are those that provide the backbone for the Internet, we see ourselves as an integral part of the infrastructure that underpins today's fastest growing companies. At the same time, many tenants are seeking flex space that incorporates both an office and industrial component. Small work groups developing technology solutions are the new business model replacing the traditional assembly line with hundreds of workers. Real estate is merely an enabler of operational efficiency for the new generation of manufacturers and service providers. Less impressed with expensive bank towers, tenants want the flexibility to expand or contract their premises as changing technology dictates. With clusters of buildings in preferred locations, Dundee Realty is well positioned to take advantage of this opportunity. We'll capture growth by enhancing our strategic concentration of assets and tenancies and continuing to provide superior service to tenants across the economic spectrum.

REAL ESTATE SOLUTIONS

The in-depth understanding we've gained by working closely with our tenants is helping us to create a new style of office space custom-suited to their requirements. At 30 Adelaide East in Toronto, we're developing a campus-style, technologically-advanced work environment that will be the first major downtown office project to come on stream in over ten years. Response from the market has been excellent – prospective tenants are enthusiastic about the flexible and contemporary design. They also appreciate that we are offering everything they expect from traditional premises but at a substantial savings in rent. In the future, we'll continue to develop real estate solutions that address the realities of an evolving workplace.

SEIZING OPPORTUNITY

In 1999, we saw that the Montréal market presented an attractive opportunity. Our research confirmed the underlying strength of the economy, and the investment risk was nominal because, unlike other Canadian markets, Montréal had not yet seen a substantial rise in prices or rental rates. Purchasing a 2½ million square foot portfolio and combining it with the properties we already owned there propelled us into the ranks of the dominant players in what is the second-largest industrial market in Canada. As one of the few companies with the financial strength and market focus necessary to undertake an investment of this size, we were able to negotiate a price that immediately delivered an excellent return. The acquisition provides a tenant base we can aggressively grow. With a critical mass of properties in key sub-markets, we now manage space more efficiently while continuing to meet our tenants' expansion requirements.

In Toronto, Montréal, Ottawa and Calgary, we're well positioned with depth and diversity across our tenant base. Accumulating clusters of buildings means we can meet tenant growth from within our existing portfolio. When we buy properties with vacancies or build new ones, we take on less risk because of the growth inherent in our tenant base. The strength of our tenant relationships lets us deploy our resources and cash flow in combination with our tenancies and expertise to enhance our portfolio quality and minimize risk. Because of our diversified tenant base, when economic growth starts to benefit a broader cross-section of the economy, as it has over the last two years, our buildings are full and our rents are increasing.

Today's stock market reflects very high investor expectations for growth. With the technology sector capturing the market's imagination, investors have largely overlooked other sectors including real estate. We view this lack of attention as an opportunity, because we have a strong asset base, a valuable ongoing business and great potential for future growth. The interplay between real estate and financial markets has afforded us the opportunity to buy back and cancel over 16% of our stock since September 1998, adding substantial value for our shareholders.

Over the last four years, we've built a solid portfolio from the ground up and established an operating platform from which we can consistently add value. We were one of the first companies to act upon the change in market valuations for real estate stocks by moving quickly from a rapid-growth model to a focus on strengthening our operating platform. In the third quarter, we launched a new management information system that is completely scalable to accommodate our future needs. With it we're able to manage our assets better and make operating and investment decisions based [illegible] prehensive and timely information.

[illegible] g ahead, we're focused on fiscal responsibility, running the company well and [illegible] advantage of the opportunities that the market presents. As we've grown, we've [illegible] ed a very bright group of people who work effectively together. Innovative [illegible] such as our timely entry into the Montréal market, are enhanced by the [illegible] erritory we've staked out between other public companies and private real [illegible] vestors. When prominent portfolios are changing hands, we're not only at [illegible] e, we occupy our own special chair. And that gives us the choice of growing, [illegible] ve wish to, through selective acquisitions. At the same time, we're further [illegible] our portfolio by considering additional dispositions when we feel it can [illegible] n our Company. In running our business, we're keeping our focus on our [illegible] assets and operations. We mitigate risk – project by project – and have con- [illegible] maintain a low debt ratio. We believe that our strategy of building value on [illegible] mental basis is what makes Dundee Realty a solid and attractive investment.

MICHAEL J. COOPER

NED GOODMAN

2 ST. CLAIR AVENUE EAST, TORONTO

Room to work

Commercial revenue properties
(as at December 31, 1999)

OFFICE

Property	Owned Share of Total GLA in Square Feet	N Builc
Suburban East Island	186,664	2
Suburban Central	186,008	[illegible]
Suburban South Shore	127,718	[illegible]
Suburban West Island	225,500	[illegible]
TOTAL MONTRÉAL OFFICE	725,890	[illegible]
Downtown	520,159	[illegible]
Suburban	321,985	[illegible]
TOTAL OTTAWA OFFICE	842,144	[illegible]
Downtown	335,199	[illegible]
Midtown	469,782	[illegible]
Suburban North	536,966	[illegible]
Suburban West	177,923	[illegible]
TOTAL TORONTO OFFICE	1,519,870	[illegible]
TOTAL ONTARIO OFFICE	2,362,014	[illegible]
Saskatoon Office	102,553	[illegible]
Edmonton Office	183,955	[illegible]
Calgary Office	76,459	[illegible]
Vancouver Office	212,802	1
TOTAL WESTERN CANADA OFFICE	575,769	6
TOTAL UNITED STATES OFFICE	32,976	1
TOTAL OFFICE	3,696,649	55

Com[illegible]ial revenue properties (cont'd)

(as at December 31, 1999)

Property	Owned Share of Total GLA in Square Feet	No. of Buildings
Saint-Laurent	1,291,077	18
Dorval	575,193	13
Longueuil	256,393	7
Montréal	222,419	2
Laval	202,063	2
Brossard	123,255	3
Boucherville	71,592	2
Pointe-Claire	55,333	1
TOTAL MONTREAL INDUSTRIAL	2,797,325	48
Burlington	80,214	1
Mississauga	412,336	10
Brampton	385,290	7
Vaughan	148,031	2
Markha[illegible]	94,588	3
Toront[illegible]	212,110	1
[illegible]TO INDUSTRIAL	1,332,569	24
[illegible]PEG INDUSTRIAL	177,494	1
Nort[illegible]	686,153	9
[illegible]	249,282	5
[illegible]N INDUSTRIAL	935,435	14
[illegible]	516,230	9
[illegible]	263,270	10
[illegible]	328,654	8
[illegible]USTRIAL	1,108,154	27
[illegible]	6,350,977	114

[illegible]	Owned Share of Total GLA in Square Feet	No. of Buildings
Eas[illegible]	1,035,470	10
We[illegible]	649,051	6
Un[illegible]	871,235	2
[illegible]	2,555,756	18
TO[illegible]ENUE PROPERTY PORTFOLIO	12,603,382	187

THE OFFICES AT MEADOWPINE, MI[illegible]

21 ST. CLAIR AVENUE EAST,

ANTARES [illegible]

25 FITZGERALD ROAD, NEPEAN

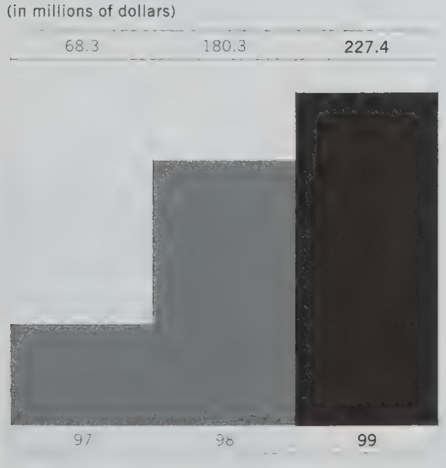
Room numbers

Financial highlights

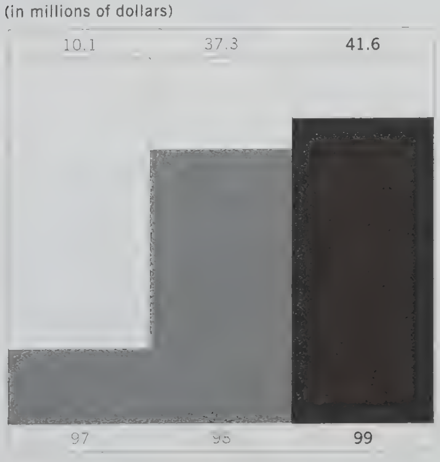
For the Years Ended December 31	1999	1998	1997	1996
FINANCIAL POSITION (in thousands)				
Revenue properties assets	$ 877,523	$ 822,811	$ 108,834	$ 34,968
Total assets	1,112,636	1,075,136	216,446	68,617
Shareholders' equity	492,765	505,116	135,895	43,883
OPERATING RESULTS (in thousands)				
Revenue	$ 227,370	$ 180,350	$ 68,330	$ 11,001
EBITDA*	72,426	63,962	11,967	1,312
Net income	13,391	20,151	6,346	579
Cash flow from operations	41,564	37,326	10,113	713
PER SHARE DATA				
Earnings per share	$ 0.07	$ 0.15	$ 0.10	$ 0.06
Earnings per share fully diluted	0.07	0.13	0.10	0.05
Cash flow per share	0.23	0.28	0.16	0.07
Cash flow per share fully diluted	0.23	0.23	0.15	0.06
COMMON SHARES (in thousands)				
Outstanding at year-end				
Basic	174,020	190,322	79,673	45,338
Fully diluted	186,462	202,174	84,651	48,663
Weighted average outstanding				
Fully diluted	191,708	168,246	67,234	9,593
RATIOS				
Revenue properties as percent of total assets	79%	70%	50%	51%
Cash flow coverage of interest	2.0	2.3	5.6	2.0
Percentage of floating rate debt	12%	18%	4%	15%
Debt to equity	1.1	1.0	0.4	0.4

*earnings before interest, taxes, depreciation and amortization

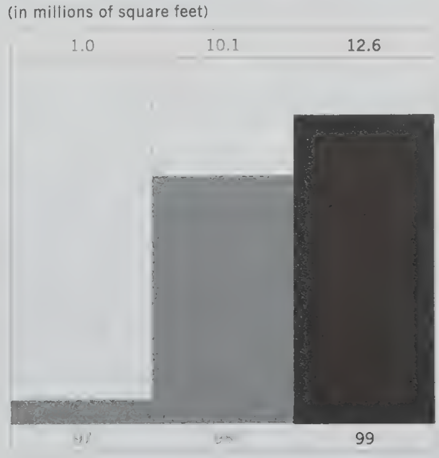
GROSS REVENUE
(in millions of dollars)



CASH FLOW FROM OPERATIONS
(in millions of dollars)



COMMERCIAL REVENUE PROPERTIES
(in millions of square feet)



INTRODUCTION

Dundee Realty Corporation ("Dundee Realty" or "the Company") is a diversified public real estate company engaged primarily in the ownership, development and management of commercial revenue properties in Canada, and, to a lesser degree, land and housing development in Canada and the United States. The Company was incorporated in 1995 and has been listed on the Toronto Stock Exchange since 1997.

Office Revenue Properties

Dundee Realty's office portfolio increased by almost 23% in 1999, totalling 3.7 million square feet by year-end. We have assembled clusters of assets in key sub-markets, enabling us to meet the needs of our 650 office tenants and grow as they grow. Office vacancies continue to hit new lows in most Canadian cities, and the average occupancy level of our 3.3 million square feet of stabilized office assets, which reached 94% by the end of 1999, has remained quite strong.

A key element in our success has been the fact that, because market rents are still well below replacement levels in those markets in which we operate, our buildings have remained affordable to tenants. We expect demand through 2000 and beyond to reflect the impressive performance of the wider Canadian economy.

Industrial Revenue Properties

After several strategic acquisitions during 1999, particularly in Montréal, Dundee Realty now owns a portfolio of over 6.3 million square feet of prime industrial space concentrated in the best locations in Toronto, Montréal, Edmonton and Calgary. Our portfolio of warehouse and flex space enjoys an average ceiling clearance of 20 feet and is perceived by the market as highly functional, as evidenced by average occupancy of 96% at year-end. The disposition of almost 500,000 square feet of non-core industrial properties in 1999 strengthened our asset base. And our clustering strategy allows us to maintain tenant relationships even as our 500 tenants grow into larger premises.

We expect continuing strong demand for warehouse and flex space, driven by growth of both the emerging new players in Canada's economy as well as the more traditional industries. Our average tenant size of under 14,000 square feet is indicative of the nature of our portfolio, which includes a good mix – predominantly smaller multi-tenant flex space, but also larger single tenant warehousing and manufacturing space.

Retail and Other Revenue Properties

Dundee Realty made progress in reducing its portfolio of non-core assets in 1999. Two of our retail assets were sold, and we are currently positioning several of our remaining shopping centre assets for disposition. As planned, the Company sold the bulk of its residential revenue properties this past year, 743 units in all. The remaining 99 units are currently being marketed for sale. Finally, we sold one major U.S. commercial asset in 1999, and have listed the remaining two with a view towards completing their disposition by the end of 2000.

Land and Housing

The land and housing groups had another strong year, and continue to generate stable cash flows and excellent returns. Lot sales increased by 57% to 619, and land parcel sales more than doubled. Housing sales volume dropped only slightly, largely due to the timing of several condominium projects. We expect to see continued stable performance from this segment in 2000.

DISCUSSION AND ANALYSIS

The following discussion and analysis of the consolidated financial position and results of operations is based primarily on the consolidated financial statements of the Company for the years ended December 31, 1999 and 1998. It should be read in conjunction with the consolidated financial statements and notes contained in this Annual Report.

Throughout this discussion and in the consolidated financial statements, the Company uses the term "contribution from operations", which is synonymous with the general real estate term "net operating income" used in the context of property operating results.

All amounts in the following discussion are presented in thousands of dollars, with the exception of square footage, unit volumes, acreages, numbers of common shares and per share amounts. Proportional totals may not add to 100% due to rounding.

PERFORMANCE MEASUREMENT

The following table outlines the Company's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and CFFO (Cash Flow From Operations), two key measures of performance used by real estate companies:

For the Years Ended December 31,	1999	1998
Revenue properties:		
Office	$ 28,414	$ 21,260
Industrial	15,767	11,628
Retail	19,859	13,838
Other	3,180	5,972
Total revenue properties	67,220	52,698
Land	9,121	6,565
Housing and condominiums	2,278	3,925
Property management	264	391
Interest and other income	4,810	5,005
Contribution from operations	83,693	68,584
General and administrative expenses	7,056	5,287
EBITDA	76,637	63,962
Interest expense	31,653	21,393
Current income and large corporations tax	3,420	4,578
CASH FLOW FROM OPERATIONS	$ 41,564	$ 37,326
Cash flow from operations per share		
Basic	$ 0.23	$ 0.28
Fully diluted	$ 0.23	$ 0.23

EBITDA showed a substantial increase of $12,675, or 20%, in 1999. Cash flow from operations increased by $4,238, or 11%, to $41,564 in 1999.

The significant increases in CFFO and EBITDA are primarily due to acquisitions completed in 1998 being included in operations for a full twelve-month period and the addition for part of the year of further significant acquisitions that occurred in 1999.

Fully diluted cash flow from operations per share was unchanged for 1999 at $0.23. The cash flow from operations in 1999 was $0.23 per share on both a basic and fully diluted basis. The $0.05 difference on a per share basis between the basic and fully diluted performance in 1998 was a result of the substantial number of exchange rights outstanding during that year, and the impact thereof on the fully diluted calculation.

JEFF BARNES
EXECUTIVE VICE-PRESIDENT & CHIEF FINANCIAL OFFICER

"Over the last four years, we've assembled all of the key elements of a successful real estate company – great assets, a strong operating platform and excellent people. Now that we're positioned as a market leader, we intend to continue to aggressively build value for our shareholders."

At December 31, 1999, the basic book value per common share was $2.83 and the fully diluted book value per share was $2.79. The $0.23 in cash flow per share in 1999 represented an 8.6% trailing return on basic book value. Based on the market price of $1.46 per share at the end of the year, the trailing cash flow return was 15.8%.

RECENT DEVELOPMENTS AND TRANSACTIONS

Acquisitions in 1999

The Company acquired the following revenue properties in 1999:

Date of Acquisition	Property	Ownership Interest Acquired	Proportionate Gross Leasable Area (Sq.Ft.)	Total Consideration
April 15	5 Park Home Avenue, Toronto	100%	89,029	$ 10,192
June 15	7600 Danbro Crescent, Mississauga	100%	137,728	8,731
June 18	30 Adelaide Street East, Toronto	50%	193,459	6,441
July 22	Reliable Engine Building, Edmonton	75%	50,860	857
September 8	1 Antares Drive, Nepean	100%	70,995	7,964
September 28	Reliable Engine Building, Edmonton	10%	6,781	114
October 1	2400–2430 Meadowpine Boulevard, Mississauga	100%	59,986	4,141
December 1	Montréal Portfolio	100%	2,458,480	88,266
December 16	2311 Royal Windsor Drive, Mississauga	15%	14,592	518
December 16	2301 Royal Windsor Drive, Mississauga	15%	15,951	589
December 16	225 Duncan Mill Road, Toronto	16.5%	24,147	1,121
December 22	Ford Warehouse, Edmonton	32%	78,720	2,067
TOTAL			3,200,728	$ 131,001

Product Type		
Office	765,789	$ 35,682
Industrial	2,394,630	93,760
Retail	40,309	1,559
TOTAL	3,200,728	$ 131,001

The acquisitions as disclosed in the above tables can be reconciled with the amounts reflected in Note 3 to the consolidated financial statements and to the total change in revenue properties reflected on the balance sheet as follows:

	Total Amounts
Revenue properties at December 31, 1998	$ 822,811
Acquisitions	131,001
Major renovations	2,120
Building improvements and equipment purchases	7,532
Total per Note 3	140,653
Leasing costs	5,022
Amortization and depreciation	(7,814)
Dispositions, at book value	(76,586)
Transfers and reclassifications	(782)
Foreign currency translation amount	(5,781)
Total change in revenue properties	54,712
REVENUE PROPERTIES AT DECEMBER 31, 1999	$ 877,523

Dispositions in 1999

During 1999, the Company disposed of its interests in the following revenue properties:

Date of Disposition	Property	Ownership Interest Sold	Proportionate Gross Leasable Area (Sq.Ft.) or No. of Units	Total Selling Price
January 10	AGT I, Edmonton	75%	26,586	$ 938
January 22	140 Robinson Street, Hamilton	100%	120 units	4,377
January 22	204 Hespeler Road, Cambridge	100%	146 units	5,900
January 22	1862 Bathurst Street, Toronto	100%	75 units	5,823
January 22	45–55 Caroline Street, Waterloo	100%	130 units	5,950
February 1	7660–7670 Farrell Road, Calgary	100%	28,000	1,200
February 3	776 Broad Street, Regina	100%	7,774	265
February 15	Adler Centre, Edmonton	100%	35,319	825
February 24	22–24 Constellation Court, Toronto	100%	33,502	1,025
April 1	875 Don Mills Road, Toronto	100%	84,371	2,329
April 1	120–130 Melford Drive, Toronto	100%	108,470	3,330
May 1	Marquis Place, Prince Albert	100%	60 units	1,540
May 1	St. Paul's Place, Saskatoon	100%	75 units	2,695
May 1	North Battleford LDH, North Battleford	100%	60 units	990
June 3	6102–6110 Centre Street South, Calgary	100%	12,820	870
June 4	Dewar Western Building, Edmonton	100%	28,000	625
July 1	Parkview Village, Regina	100%	72 units	2,700
July 15	932–948 Yonge Street, Toronto	100%	8,170	1,022
August 6	Coherent Communications, Loudoun	100%	72,779	14,923
August 26	31 Constellation Court, Toronto	100%	33,352	1,348
August 26	29 Rangemore Road, Toronto	100%	18,840	483
September 30	Kingsway Centre, Edmonton	100%	118,480	12,167
November 30	1250–1280 Leeds Avenue, Ottawa	25%	57,475	2,480
Various	Westridge Manor, Lethbridge	n/a	5 units	268
TOTAL				$ 74,073

Product Type		
Office	80,553	$ 15,188
Industrial	466,735	15,453
Retail	126,650	13,189
Residential	743 units	30,243
TOTAL		$ 74,073

ALLAN PEREZ
SENIOR VICE-PRESIDENT, STRATEGIC INITIATIVES

"The nature of business is changing, and many of our small and mid-sized tenants can benefit from joining together to secure the things they need to run their businesses. We will help them – and add revenue – by becoming a conduit for services like voice and data communications."

RESULTS OF OPERATIONS

Overview

The operating results reported in the consolidated financial statements for the fiscal years ended December 31, 1999 and 1998 reflect the performance of the acquired assets and operations for varying portions of the year. The total assets of the Company increased to $1,112,636 at December 31, 1999.

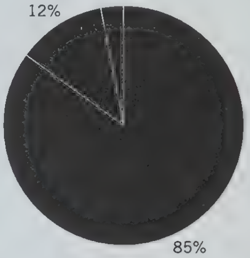
For this reason, the consolidated financial statements of the Company do not provide for easy comparison between the two most recent years. The results for 1998 reflect significant additions for that year, the operations of which were included for less than a full 12 months.

Nonetheless, there was 28% growth in the contribution from operations from revenue properties in 1999. A large portion of the growth is a result of the 1998 acquisitions being included for all of 1999.

Over the past year, the Company has continued to evolve from its origins as predominantly a developer of land, housing and condominiums, and has become a significant owner and manager of revenue properties. The following chart demonstrates the composition of the contribution from operations for the segmented operations.

1999 CONTRIBUTION FROM OPERATIONS

	1999
Revenue properties	85%
Land	12%
Housing and condominiums	3%
	100%



The revenue properties represented 85% of the contribution from segmented operations in 1999, up marginally from 83% in 1998.

Revenue Properties

The revenue properties represent the Company's primary business unit and are divided into four distinct operating segments: office, industrial, retail and other. The other category consists of residential revenue properties, a hotel and a ski hill operation.

At December 31, 1999, the commercial revenue properties consisted of the following components by gross leasable area:

	Proportionate Gross Leasable Area (in square feet)				
	1999				1998
	Office	Industrial	Retail	Total	Total
Québec	725,890	2,797,325	40,309	3,563,524	1,098,374
Ontario	2,362,014	1,332,569	995,161	4,689,744	4,436,476
Western Canada	575,769	2,221,083	649,051	3,445,903	3,627,083
Total Canada	3,663,673	6,350,977	1,684,521	11,699,171	9,161,933
United States	32,976	–	871,235	904,211	974,299
TOTAL AT DECEMBER 31, 1999	3,696,649	6,350,977	2,555,756	12,603,382	10,136,232
TOTAL AT DECEMBER 31, 1998	3,006,154	4,478,074	2,652,004	10,136,232	

At December 31, 1998, the Company owned over 10.1 million square feet of commercial revenue properties. Owned square footage increased by over 2.4 million square feet during 1999, which represented a 24% increase. The net increase from acquisitions, expansions and remeasurements totalled about 3.1 million square feet, while dispositions comprised almost 0.7 million square feet.

The following tables show the distribution of the contribution from operations for each revenue property operating segment and by geographic region:

	1999		1998		Growth	
	Total	%	Total	%	Amount	%
Québec	$ 6,457	10	$ 3,677	7	$ 2,780	76
Ontario	27,216	40	22,188	42	5,028	23
Western Canada	23,255	35	18,192	35	5,063	28
Total Canada	56,928	85	44,057	84	12,871	29
United States	10,292	15	8,641	16	1,651	19
TOTAL	$ 67,220	100	$ 52,698	100	$ 14,522	28

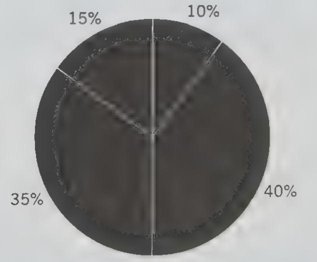
	1999		1998		Growth	
	Total	%	Total	%	Amount	%
Office	$ 28,414	42	$ 21,260	40	$ 7,154	34
Industrial	15,767	23	11,628	22	4,139	36
Retail	19,859	30	13,838	26	6,021	44
Other	3,180	5	5,972	11	(2,792)	(47)
TOTAL	$ 67,220	100	$ 52,698	100	$ 14,522	28

The proportion of contribution from operations from the other category has continued to decline, from 11% in 1998 to only 5% in 1999, due to the sale of the Company's residential revenue properties and an overall increase in the contribution from the commercial revenue properties segments. A significant part of the growth in contribution from the revenue properties is due to the inclusion in operations of most of our portfolio for a full 12 months in 1999. At the same time, the geographic distribution of the contribution has been broadened across the major regions of Canada, while maintaining a substantial portion of the operating base in Ontario.

The full impact on contribution from operations resulting from dispositions in Western Canada and the United States and acquisitions in Ontario and Québec during 1999 will not be seen until 2000. The most notable change has been in the proportionate contribution from Québec, which, with a full year's impact in 2000 of the recent portfolio acquisition in Montréal, will increase considerably from a 10% share in 1999, as shown on this chart:

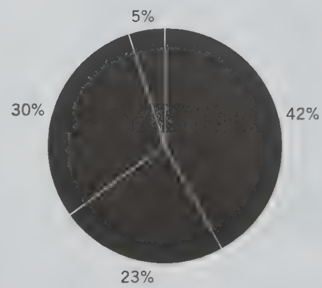
REVENUE PROPERTIES 1999 CONTRIBUTION FROM OPERATIONS BY REGION

	1999
Québec	10%
Ontario	40%
Western Canada	35%
United States	15%
	100%



REVENUE PROPERTIES 1999 CONTRIBUTION FROM OPERATIONS BY SEGMENT

	1999
Office	42%
Industrial	23%
Retail	30%
Other	5%
	100%



Included in the contribution from operations in the revenue properties were one-time lease termination payments in the aggregate amount of $25 in 1999 and $2,413 in 1998.

The lease maturity profile of the 12.2 million square feet of stabilized commercial revenue properties is as follows:

(in square feet)	Currently Vacant	Monthly Tenancies	2000	2001	2002	2003	2004+	Total
Office	191,785	93,938	496,593	299,662	356,834	511,093	1,366,732	3,316,636
Industrial	263,988	191,677	1,190,173	1,080,944	744,141	837,854	2,042,200	6,350,976
Retail	249,180	331,892	186,039	392,650	320,643	120,679	954,672	2,555,756
TOTAL	704,953	617,507	1,872,805	1,773,256	1,421,618	1,469,626	4,363,604	12,223,368
Percentage	6%	5%	15%	15%	12%	12%	36%	100%

The Company has approximately 42% of its leases maturing during the next three years, and when this is added to current vacancy and monthly tenancies, about 6.4 million square feet or 53% of the portfolio will be available for renewal or re-leasing prior to the end of 2002. This will allow Dundee Realty to continue to capture the uplift in market rents that has occurred over the past several years.

The rental market has been strong over the past few years, and rental rates have increased in the asset classes and regions in which the Company operates. The following table compares the current weighted average in place contract rents to estimated current market rents for similar quality space in the respective region. Note that average market rent has been estimated through reference to recent leasing activity and leasing interest in Company properties as well as leasing activity in comparable properties.

	Average Remaining Lease Term (psf)	Average in Place Contract Rent (psf)	Estimated Current Market Rent (years)
Office	4.2	$ 10.14	$ 12.75
Industrial	3.6	4.12	4.40
Retail	4.8	8.83	11.00
OVERALL	4.0	$ 6.70	$ 8.00

Land Development

The Company is involved in the acquisition of undeveloped land; subdivision planning; obtaining regulatory approvals; and servicing, marketing and sale of fully developed residential lots and industrial and commercial sites.

Active land development is concentrated in Western Canada. The Company is currently developing communities in Calgary and Edmonton, Alberta and in Saskatoon and Regina, Saskatchewan. The Company also holds land for future development in these cities, as well as in Toronto, Ontario, and several other cities.

As discussed earlier, the contribution from operations of the land division increased by 39%, and its proportion of the overall contribution from operations increased from 10% of the total segmented contribution in 1998 to 12% in 1999.

DENISE MACDONALD, DIRECTOR OF LEASING, TORONTO REGION

"The Canadian economy is strong, and our tenants are growing. With 12 to 15% of our portfolio coming up for renewal in each of the next four years, we'll be able to crystallize the uplift in market rent that has occurred and capture this growth."

	1999			1998			
	Gross Revenue	Cost of Sales	Contribution from Operations	Gross Revenue	Cost of Sales	Contribution from Operations	Growth
Single family lots:							
Saskatoon	$ 4,559	$ 3,870	$ 689	$ 5,717	$ 4,287	$ 1,430	$ (741)
Regina	4,664	4,243	421	3,217	2,902	315	106
Edmonton	8,481	6,700	1,781	4,220	3,140	1,080	701
Calgary	11,444	6,822	4,622	2,006	1,312	694	3,928
Total single family lots	29,148	21,635	7,513	15,160	11,641	3,519	3,994
Parcel sales	4,125	2,517	1,608	6,975	3,929	3,046	(1,438)
TOTAL	$ 33,273	$ 24,152	$ 9,121	$ 22,135	$ 15,570	$ 6,565	$ 2,556

The number of lots sold during the year increased by 57% in 1999. The volume analysis and backlog of sales (lots under option) at year-end is summarized as follows:

	1999			1998			Growth	
	Units Sold	Average Selling Price	Outstanding Options at Year-end	Units Sold	Average Selling Price	Outstanding Options at Year-end	Units Sold	Outstanding Options
Single family lots:								
Saskatoon	128	$ 35,618	14	160	$ 35,736	9	(32)	5
Regina	147	31,728	34	111	28,981	26	36	8
Edmonton	192	44,172	54	102	41,376	–	90	54
Calgary	152	75,293	–	21	95,500	89	131	(89)
TOTAL SINGLE FAMILY LOTS	619	$ 47,090	102	394	$ 38,478	124	225	(22)
PARCEL SALES (ACRES)	88	$ 43,976	14	38	$ 184,280	5	50	9

The sales volume in Saskatoon decreased as a greater proportion of the lot sales in 1999 occurred in our joint venture communities. The increase in the number of lots sold in Regina is largely a result of stronger marketing directed toward third party builders. The improvement in Edmonton was due to the opening of our community in Sherwood Park during 1999 as well as sales volume from additional lands acquired during the year. Sales volume in Calgary increased almost eightfold as our new lower price-point community, Springside, came on stream.

During 1999, the Company's activities included the sale of 619 lots, development of 654 lots and acquisition of 74 lots. The continuity of lot inventory is summarized as follows:

	Lot Inventory at December 31, 1998	Lots Acquired in Year	Lots Developed in Year	Lots Sold in Year	Lot Inventory at December 31, 1999
Saskatoon	150	–	173	128	195
Regina	215	–	87	147	155
Edmonton	41	74	218	192	141
Calgary	3	–	176	152	27
TOTAL	409	74	654	619	518

In addition, the Company held the following land for future development at year-end:

	Land Held for Development (in acres)	
	1999	1998
Saskatoon	623	623
Regina	806	821
Edmonton	925	797
Calgary	404	442
Toronto	30	30
Other	278	288
TOTAL	3,066	[illegible]

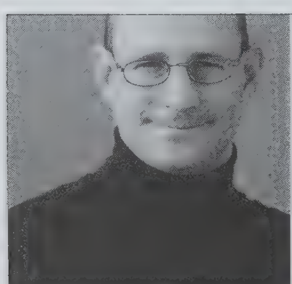
Housing and Condominiums

The Company's single family home building activities are centred primarily in Saskatoon and Regina, Saskatchewan. An important part of the mandate of the housing operation is to facilitate the sale of lots developed by the land division through its marketing efforts for the Company's communities. The housing operation also constructs new homes on land developed by third parties in order to enhance its volumes and general market presence. Likewise, the land operation sells a large number of developed lots to third parties and is reliant on the housing operation only insomuch as new home marketing creates a more desirable profile for our communities.

The Company is active in the development of new condominium projects in Toronto, Saskatoon and Beaver Creek (in the Vail resort area of Colorado). During 1998, the Company was also involved in the retrofitting and marketing of an existing project in Cambridge, Ontario. Once the Camden Lofts and Pantages Tower developments in downtown Toronto are complete, the Company will be discontinuing condominium development in that city.

The following table summarizes the operating performance of the housing and condominium construction activities for the past two years:

	1999			1998			
	Gross Revenue	Cost of Sales	Contribution from Operations	Gross Revenue	Cost of Sales	Contribution from Operations	Growth
Saskatoon	$ 8,967	$ 9,113	$ (146)	$ 10,133	$ 10,198	$ (65)	$ (81)
Regina	6,832	7,248	(416)	6,673	6,652	21	(437)
Beaver Creek	16,853	14,267	2,586	20,208	16,799	3,409	(823)
Toronto	4,997	4,743	254	–	–		254
Cambridge	–	–	–	1,692	1,132	560	(560)
TOTAL	$ 37,649	$ 35,371	$ 2,278	$ 38,706	$ 34,781	$ 3,92[illegible]	$ (1,647)



BOB BEATTY
VICE-PRESIDENT, CENTRAL PURCHASING

"It's my role to seek out opportunities that take advantage of our economies of scale, so that we can save money for both our tenants and ourselves. In the markets in which we operate, not a lot of companies can compete with our purchasing power."

The volume of homes sold and occupied during the year, as well as the backlog of uncompleted agreements (presold units under construction) at year-end, is summarized as follows:

	1999				1998			
	Number of Units Sold	Average Selling Price	Inventory at Year-end	Uncompleted Presold Units at Year-end	Number of Units Sold	[illegible] Selling Price	Inventory at Year-end	[illegible] at Ye[illegible]
Saskatoon	59	$ 179,473	14	17	65	$ 179,229	16	1[illegible]
Regina	56	148,065	12	16	57	141,479	[illegible]	[illegible]
Beaver Creek	25	667,914	7	–	30	673,605	21	[illegible]
Toronto	–	–	–	169	–	–	–	5[illegible]
Cambridge	–	–	–	–	21	8[illegible]	[illegible]	[illegible]
TOTAL	140	$ 254,131	33	202	[illegible]	[illegible]	[illegible]	[illegible]

Saskatoon housing sales volume declined slightly in 1999, however the average selling price was unchanged. Although overall contribution was affected by the decline in volume, the stated goal of promoting lot sales while breaking even was essentially accomplished. In Regina, volume remained stable, but the average selling price increased by 5%. Overall contribution was negatively affected by pressure on margins in the Regina market, however the housing operations were instrumental in facilitating growth in lot sales. Our Beaver Creek operations have, as anticipated, shown a slight decline in sales volume due to the design and relatively smaller size of the project completed in 1999.

In Toronto, we have pre-sold all 59 units at Camden Lofts. Construction is now complete and registration is expected shortly. Presales are proceeding steadily at Pantages Tower after a successful relaunch with our new 50% joint venture partner, Intracorp.

Property Management

The property management revenue of the Company consists of management, leasing and construction fees, real estate advisory fees and land development management fees earned from third party property owners. The following table summarizes the contribution from operation for these activities:

	1999					
	Gross Revenue	Costs	Contribution from Operations	Gross R[illegible]	[illegible]	[illegible]
PROPERTY MANAGEMENT	$ 7,413	$ 7,149	$ 264	$ 6,813	$ 6,422	[illegible]

Gross revenue from property management grew by 9% in 1999. The costs allocated to the management, leasing and commercial fee business consist of property management expenditures associated with all personnel and facilities involved in the provision of such services. The Company charges market rate fees for management services provided to its owned properties, which fees are allocated as an operating expense to individual properties. This fee revenue is then deducted from the property management costs to arrive at the net cost associated with third party management.

Interest and Other Income

Interest and other income consists of interest earned on surplus cash and interest bearing amounts receivable that the Company may have from time to time, as well as the return received on various portfolio investments. For the years ended December 31, 1999 and 1998, interest and other income consisted of:

	1999	1998
Interest income	$ 1,824	$ 2,883
Distributions from Residential Equities REIT	2,986	828
Gain on sale of investment	–	1,294
INTEREST AND OTHER INCOME	$ 4,810	$ 5,005

Interest Expense

The interest expense reflected in the net income of the Company is as follows:

	1999	1998
Interest expense incurred at stated rate of debt	$ 37,944	$ 25,691
Less: marked to market adjustment of rate	(2,792)	(2,087)
interest capitalized	(3,499)	(2,211)
INTEREST EXPENSE	$ 31,653	$ 21,393

A portion of the debt acquired as part of the Camreal acquisition, as well as other acquisitions in 1998, was adjusted to fair value using market interest rates at the time of the acquisitions ("marked to market"). This marked to market adjustment is amortized to interest expense and to principal repayments over the remaining life of the initial term of the debt.

Interest is capitalized to land, housing under development and revenue properties under redevelopment. The capitalized interest to land and housing flows through cost of sales as developed units are sold.

The amount of capitalized interest included in the assets of the Company was $4,168 at December 31, 1999, up from $1,994 a year earlier. The continuity of capitalized interest is as outlined in the following table:

	Revenue Properties	Land	Housing and Condominiums	Total
Capitalized interest in assets at December 31, 1998	$ 1,000	$ 225	$ 769	$ 1,994
Interest capitalized in 1999	660	1,021	1,818	3,499
Capitalized interest expensed to cost of sales during 1999	–	(392)	(933)	(1,325)
CAPITALIZED INTEREST IN ASSETS AT DECEMBER 31, 1999	$ 1,660	$ 854	$ 1,654	$ 4,168

The interest capitalized to revenue properties included $358 in respect of the redevelopment of 30 Adelaide Street East, Toronto and $302 in respect of the redevelopment of 110 O'Connor Street, Ottawa.

The interest capitalized to condominium projects included $617 to Pantages Tower, Toronto; $240 to Camden Lofts, Toronto; and $190 to Aspenwood, Vail. The Aspenwood portion flowed through cost of sales in 1999.

PAUL BRAUN
EXECUTIVE VICE-PRESIDENT, INVESTMENTS

"When we complete our redevelopment of 30 Adelaide East, our state of the art office complex in downtown Toronto, it will represent about 5% of our revenue properties by book value. It's just one example of the improvements we continue to make to the quality of our portfolio."

Depreciation and Amortization

The increase in depreciation and amortization recorded for 1999 is as a result of the depreciation of those assets acquired in 1998 and 1999 and the impact of a full year's amortization of goodwill associated with the Camreal acquisition. The recorded amount represents the following:

	1999	1998
Depreciation and amortization on revenue properties:		
Office	$ 3,567	$ 1,826
Industrial	1,653	961
Retail	1,809	914
Other	785	934
Total depreciation and amortization on revenue properties	7,814	4,635
Depreciation on non-segmented assets	1,059	677
Amortization of goodwill	2,568	1,736
DEPRECIATION AND AMORTIZATION	$ 11,441	$ 7,048

General and Administrative Expenses

General and administrative expenses increased by $1,769 to a total of $7,056 for 1999. The increase is primarily due to increases in personnel as a result of the significant growth in 1998 and costs associated with acquisition activity undertaken in 1999.

	1999	1998
Total general and administrative expenses	$ 7,797	$ 5,378
Capitalized to projects	(741)	(91)
GENERAL AND ADMINISTRATIVE EXPENSES	$ 7,056	$ 5,287

Current Income and Large Corporations Tax

The Company was subject to large corporations tax in Canada, corporate minimum tax in Ontario and income tax in the United States during 1999. The Company was not subject to income tax in Canada for the year due to the application of loss carryforwards and other income tax deductions.

For the last two years, current income and large corporations tax is summarized as follows:

	1999	1998
Income tax (United States)	$ 1,004	$ 2,461
Large corporations tax	1,851	1,504
Corporate minimum tax	565	613
CURRENT INCOME AND LARGE CORPORATIONS TAX	$ 3,420	$ 4,578

The method of calculation of deferred income tax has been changed under Canadian generally accepted accounting principles for years ending after January 1, 2000. The Company will implement the new requirements in 2000, which could result in a retroactive adjustment to amounts recorded for 1999. Such an adjustment would affect the Company's balance sheet and earnings, but would have no effect on cash flow from operations.

FINANCIAL CONDITION

Overview of Assets

As previously discussed, the Company's operations are now composed predominately of revenue properties, with the proportion of development assets reduced accordingly.

	1999		1998		Growth	
	Total	%	Total	%	Amount	%
Revenue properties	$ 877,523	79	$ 822,811	76	$ 54,712	7
Land	70,432	6	67,303	6	3,129	5
Housing	28,797	3	38,175	4	(9,378)	(25)
Segmented assets	976,752	88	928,289	86	48,463	5
Amounts receivable and other assets	100,536	9	99,796	9	740	1
Portfolio investments	33,080	3	22,614	2	10,466	46
Cash and short-term deposits	2,268	0	24,437	3	(22,169)	(91)
TOTAL	$ 1,112,636	100	$ 1,075,136	100	$ 37,500	3

Segmented assets, which represent the actively employed real estate assets, increased to 88% of total assets at December 31, 1999 from 86% at December 31, 1998. The cash reserves declined, as the Company employed a higher proportion of its capital in real estate assets.

The assets of the Company were geographically dispersed as follows:

	1999		1998		Growth	
	Total	%	Total	%	Amount	%
Québec	$ 164,783	15	$ 76,127	7	$ 88,656	116
Ontario	366,190	33	359,229	33	6,961	2
Western Canada	346,768	31	364,776	34	(18,008)	(5)
Total Canada	877,741	79	800,132	74	77,609	10
United States	99,011	9	128,157	12	(29,146)	(23)
Total segmented assets	976,752	88	928,289	86	48,463	5
Amounts receivable and other assets	100,536	9	99,796	9	740	1
Investments	33,080	3	22,614	2	10,466	46
Cash and short-term deposits	2,268	0	24,437	3	(22,169)	(91)
TOTAL	$ 1,112,636	100	$ 1,075,136	100	$ 37,500	3

The above table illustrates the broadening of the geographic exposure of the real estate assets, with concentration currently in the strongest real estate markets of Canada. The stated goal of the Company is to eliminate its commercial revenue properties investment in the United States and redeploy the funds into Canadian office and industrial properties.

The following table isolates the book value of segmented assets by their nature and geographic distributions:

	1999					1998	
	Revenue Properties	Land	Housing and Condominiums	Total	%	Total	%
Québec	$ 158,456	$ 6,327	$ –	$ 164,783	17	$ 76,127	8
Ontario	339,890	7,925	18,375	366,190	37	359,229	39
Western Canada	287,310	53,474	5,984	346,768	36	364,776	39
Total Canada	785,656	67,726	24,359	877,741	90	800,132	86
United States	91,867	2,706	4,438	99,011	10	128,157	14
TOTAL AT DECEMBER 31, 1999	$ 877,523	$ 70,432	$ 28,797	$ 976,752	100	$ 928,289	100
Percentage	90%	7%	3%	100%			
TOTAL AT DECEMBER 31, 1998	$ 822,811	$ 67,303	$ 38,175	$ 928,289			
Percentage	89%	7%	4%	100%			

Revenue Properties

At December 31, 1999, the revenue properties were of the asset class and geographically dispersed as follows:

	1999						1998	
	Office	Industrial	Retail	Other	Total	%	Total	
Québec	$ 53,102	$ 103,742	$ 1,612	$ –	$ 158,456	18	$ 69,977	9
Ontario	236,260	58,615	39,295	5,720	339,890	39	332,940	40
Western Canada	87,541	104,785	90,260	4,724	287,310	33	307,348	37
Total Canada	376,903	267,142	131,167	10,444	785,656	90	710,265	86
United States	3,227	–	83,188	5,452	91,867	10	112,546	14
TOTAL AT DECEMBER 31, 1999	380,130	$ 267,142	$ 214,355	$ 15,896	$ 877,523	100	$ 822,811	100
Percentage	43%	31%	24%	2%	100%			
TOTAL AT DECEMBER 31, 1998	$ 347,641	$ 198,817	$ 231,603	$ 44,750	$ 822,811			
Percentage	42%	24%	28%	6%	100%			

In terms of absolute dollars, Dundee Realty has seen considerable growth in both its industrial and office portfolios in 1999. The retail and other components have each declined in proportionate terms as a result of dispositions anticipated as part of the Company's stated strategy. The industrial component has been the primary beneficiary of this repositioning.

Land

The investment in, and location of, the land assets of the Company at December 31, 1999 and 1998 are as follows:

	1999				1998	
	Land Under Development	Land Held for Development	Total	%	Total	
Saskatoon	$ 2,205	$ 3,661	$ 5,866	8	$ 5,958	9
Regina	3,252	5,297	8,549	12	8,660	13
Calgary	1,478	10,724	12,202	17	12,805	19
Edmonton	5,580	21,277	26,857	38	23,194	34
Toronto	–	7,925	7,925	11	7,525	11
Other	–	9,033	9,033	13	9,161	14
TOTAL DECEMBER 31, 1999	$ 12,515	$ 57,917	$ 70,432	100	$ 67,303	100
Percentage	18%	82%	100%			
TOTAL DECEMBER 31, 1998	$ 10,514	$ 56,789	$ 67,303			
Percentage	16%	84%	100%			

Land under development and land held for future development increased in 1999 as a result of the purchase of additional land in Edmonton.

MICHAEL KNOWLTON
EXECUTIVE VICE-PRESIDENT & CHIEF OPERATING OFFICER

"We've featured five of our 1,800 tenants at the front of this report to illustrate how they see us as a real estate service provider. With us doing what we do best – taking care of their real estate needs – our tenants are free to concentrate on what they do best – running their businesses."

Housing and Condominiums

The housing and condominium assets of the Company at December 31, 1999 were comprised of the following:

	1999				1998	
	Construction in Progress	Lots for Future Development	Total	%	Total	%
Saskatoon	$ 2,711	1,183	$ 3,894	14	$ 4,232	11
Regina	2,090	–	2,090	7	2,578	7
Beaver Creek	4,438	–	4,438	15	12,601	33
Toronto	18,375	–	18,375	64	18,764	49
TOTAL DECEMBER 31, 1999	27,614	1,183	28,797	100	$ 38,175	100
Percentage	96%	4%	100%			
TOTAL DECEMBER 31, 1998	$ 37,252	923	$ 38,175			
Percentage	98%	2%	100%			

The largest component of the housing and condominium assets was located in Toronto, and comprised the Camden Lofts project (which was virtually complete at year-end) and the Company's joint venture interest in the Pantages Tower development. The assets in Beaver Creek have decreased substantially because of the completion of a project in 1999. Although we have recently commenced a new project in Beaver Creek, it is still in the early stages of development and will not be completed in 2000.

Portfolio Investments

At year-end, the portfolio investments held by the Company were as follows:

	1999	1998
Investment in Residential Equities REIT	$ 32,375	$ 22,418
Other investments	705	196
PORTFOLIO INVESTMENTS	$ 33,080	$ 22,614

The Company's holdings in Residential Equities REIT totalled 3,264,300 units at December 31, 1999, or 15.1% of the total outstanding units.

Overview of Liabilities and Equity

The Company's balance sheet at December 31, 1999 and 1998 reflected the following debt and equity structure:

	1999		1998		Change	
	Total	%	Total	%	Amount	%
Debt	$ 556,293	50	$ 506,949	47	$ 49,344	10
Amounts payable and accrued liabilities	63,578	6	63,071	6	507	1
Total liabilities	619,871	56	570,020	53	49,851	9
Shareholders' equity	492,765	44	505,116	47	(12,351)	(2)
TOTAL	$ 1,112,636	100	$ 1,075,136	100	$ 37,500	3

The assets and liabilities components of the balance sheet grew, while the equity component shrank. The Company reduced its equity base through the repurchase of shares and a foreign exchange adjustment. In addition to the utilization of cash reserves, the Company used debt to facilitate its acquisitions. Consequently, the ratio of debt to total liabilities and equity increased to 1.1:1.0 at December 31, 1999 from 1.0:1.0 a year earlier.

Debt

The outstanding debt of the Company at year-end was as follows:

	1999			1998		
	Fixed	Floating	Total	Fixed	Floating	Total
Mortgages payable	$ 393,399	$ 7,875	$ 401,274	$ 330,920	$ 8,539	$ 339,459
Term debt, bank loans and debentures	83,404	45,699	129,103	74,620	71,108	145,728
Land mortgages, housing mortgages and demand loans	11,985	13,931	25,916	12,249	9,513	21,762
TOTAL	$ 488,788	$ 67,505	$ 556,293	$ 417,789	$ 89,160	$ 506,949
Percentage	88%	12%	100%	82%	18%	100%

The outstanding debt of the Company increased as a result of debt associated with property acquisitions. The changes in debt levels during 1999 were a result of the following items:

	Mortgages Payable	Term Debt, Bank Loans and Debentures	Land Mortgages, Housing Mortgages and Demand Loans	Total
Debt balance at December 31, 1998	$ 339,459	$ 145,728	$ 21,762	$ 506,949
Acquisitions	93,513	–	–	93,513
New debt placed	26,661	26,463	9,681	62,805
Repayments of debt	(56,505)	(42,925)	(5,343)	(104,773)
Accrued interest	1,435	(134)	(184)	1,117
Foreign exchange adjustment	(3,289)	(29)	–	(3,318)
DEBT BALANCE AT DECEMBER 31, 1999	$ 401,274	$ 129,103	$ 25,916	$ 556,293

Variable interest rate debt was reduced from 18% to only 12% of the Company's total debt, or $67,505, as the Company has taken the approach of fixing as high a proportion of its debt as possible to protect against interest rate volatility.

The weighted average interest rate was 8.00% (1998 – 8.48%) for the variable rate debt and 7.26% (1998 – 6.97%) for the fixed rate debt. In total, the weighted average interest rate of the Company's debt was 7.34%. These weighted average interest rates incorporate the marked to market adjustment discussed earlier. Without the marked to market adjustment, the overall weighted average interest rate would be 7.77% for 1999, as compared to 7.96% for 1998.

The debt maturity and scheduled principal payments for the next five years are as follows:

	Debt Maturities Amount	%	Scheduled Principal Repayments on Non-Matured Debt	Total
2000	$ 78,636	15	$ 14,640	$ 93,276
2001	183,621	36	9,841	193,462
2002	8,002	2	8,279	16,281
2003	43,581	9	6,540	50,121
2004 and thereafter	188,933	38	14,220	203,153
TOTAL	$ 502,773	100	$ 53,520	$ 556,293

Included in the debt maturities in 2000 are $18,850 of land and housing demand loans that are secured by land and housing inventory and $15,300 of bank loans that are payable on demand.

As at December 31, 1999, lenders had recourse to the Company with respect to $21,614 of the mortgages payable, or 5% of the total mortgages payable.

Shareholders' Equity

The changes during 1999 in the outstanding common shares of the Company can be summarized as follows:

	Common Shares Outstanding
Outstanding at December 31, 1998	190,321,697
Acquired and cancelled under substantial issuer bid	(10,831,705)
Acquired and cancelled under normal course issued bids	(5,469,800)
Outstanding at December 31, 1999	174,020,192

The Company had 12,441,600 stock options outstanding at December 31, 1999. An analysis of the option expiry dates is provided in Note 12 to the consolidated financial statements.

The Company's shareholders' equity included $33,309 in contributed surplus. This amount resulted from the repurchase and cancellation of the 28,096,304 common shares that occurred in 1998 and 1999. The contributed surplus represents the aggregate of the difference between the amount at which any given common share was repurchased and the book value of that common share at the date of repurchase.

Capital Expenditures and Tenant Inducements

Capital expenditures totalled $9,652 in 1999, and are expected to be of a similar order of magnitude in 2000. The Company constantly monitors the revenue properties to ensure that they are maintained at the highest quality, as well as to ensure the retention of existing tenants and the attraction of new tenants. The Company may require capital in addition to that already committed to maintain its assets, which capital will be funded by cash flow from operations.

During 1999, the Company expended $5,022 on inducements to attract or retain tenants. Such tenant inducements vary from year to year depending on the maturity of leases, availability of vacant space and competition in the market for tenants. The capital required to fund tenant inducements will, as required, be provided from cash flow from operations.

Liquidity and Capital Structure

The nature of the real estate business is such that the Company requires capital to fund non-discretionary expenditures with respect to existing assets as well as to fund growth through acquisitions and developments.

For the year ended December 31, 1999, the Company generated $41,564 of cash flow from operations ($37,326 – 1998) and ended the year with $2,268 in cash and cash equivalents.

The Company intends to meet its short-term liquidity requirements through cash flow from operations, working capital reserves and operating debt facilities. The Company anticipates that revenues will continue to provide the funds necessary to fund its operating expenses and debt service requirements. The cash flow from operations, together with cash on hand and operating debt facilities, will be adequate to fund capital expenditures which are not reimbursed by tenants and tenant inducements.

Capital for acquisitions, developments or redevelopments has been, and is expected to continue to be, obtained from equity or debt financing. Capital for acquisitions will also be provided from dispositions as the Company repositions the portfolio consistent with its stated strategy.

The Company intends to generate additional capital by reducing the funds committed to non-cash working capital items, thereby reducing its commitment to non-real estate assets. The redeployment of such capital from low-yielding non-real estate assets to our core operating segments will result in additional growth in cash flow from operations.

The Company's objective is to maintain a conservative level of debt while ensuring that sufficient capital is available, through debt or equity, to execute its business plan at all times. A portion of the debt reflected in the financial statements is comprised of construction mortgages on land servicing and housing units in progress or long-term mortgages related to specific revenue properties. The Company had a debt-to-equity ratio of 1.1:1.0 at December 31, 1999. The current interest rates for long-term mortgages still provide the Company with an opportunity to lock in the positive spread between the capitalization rate implicit in property valuation and prevailing interest rates.

At the end of 1999, Dundee Realty had operating debt facilities in the amount of $33,900, of which $11,629 was undrawn. The Company believes that arrangements will be made to refinance existing debt as it matures.

RISK MANAGEMENT

Real Property Development and Ownership

Real estate development and investment are generally subject to varying degrees of risk, depending on the nature of the property. Such risks include changes in general economic conditions, local conditions, the attractiveness of properties to potential tenants or purchasers, competition from others with available space and the ability of the owner to economically provide adequate maintenance. The real estate industry is capital intensive and therefore sensitive to interest rates and availability of capital.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service such expenses. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of a mortgagee's exercise of its rights of foreclosure or sale. It is Dundee Realty's intention to maintain as much of its debt as possible as non-recourse to the Company.

Illiquidity

Real estate is relatively illiquid. Such illiquidity will tend to limit the ability of the Company to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be virtually impossible to dispose of certain types of real estate. The costs of holding real estate are considerable, and a holder of real estate during a recessionary period may be faced with ongoing expenditures with little prospect of incoming receipts. Without adequate cash reserves, it may be necessary for the holder to dispose of properties at lower prices. The current market for real estate assets is reasonably active, with both large portfolios and individual properties transacting on a regular basis.

Construction Risk

The Company may choose not to develop land holdings it may have at any time due to, among other reasons, market conditions or the inability to raise necessary funding for construction. If the Company continues or proceeds with development of a land holding, properties under construction, or those that are to be constructed, it will be subject to risks. Such risks include lack of funding, construction costs or other unforeseeable delays and the failure of tenants to occupy and pay rent in accordance with existing lease agreements.

Financing

The Company may require additional financing in order to grow and expand its operations. It is possible that such financing will be unavailable or, if available, on unfavourable terms. In addition, upon the expiry of the initial term of the financing or refinancing of any particular property or operating debt facility, refinancing may not be available in the amounts required, or may be available only on terms less favourable to the Company than existing financing. Future financing may take many forms, including debt or equity financing which could alter the current debt-to-equity ratio or which could be dilutive to the shareholders of the Company. It is the Company's intent to reduce the interest rate risk associated with refinancing by ensuring that debt maturities are staggered over several years, with limited exposure in any given year.

Environmental Matters

As an owner and manager of real property, the Company is subject to various federal, provincial and state laws relating to environmental matters. Such laws provide that the Company could be liable for the costs of removal and remediation of certain hazardous toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Company. In order to obtain financing for the purchase of a new property through traditional channels, the Company must normally arrange for an environmental audit to be conducted. Although such an audit provides both the Company and its lenders with some assurance, the Company may become subject to liability for undetected pollution or other environmental hazards on its properties against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of relative risk.

The Company has formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

Property or Asset Management Agreements

The property or asset management agreements of the Company may be terminated in accordance with the provisions of such agreements and it is possible that they may not be renewed upon expiry. The potential for the termination of such property or asset management agreements is mitigated by a number of factors. The Company has an interest, as partial owner or mortgagee, in the majority of the properties it manages, therefore the related agreements are less likely to be terminated. Management of the Company endeavors to negotiate all agreements with long terms and automatic renewal options where possible, and minimize the number of properties that are managed under contract for third parties.

Foreign Exchange Fluctuations

The Company maintains its accounts in Canadian currency. Certain of the properties of the Company are located in the U.S. Accordingly, the Company will be subject to foreign currency fluctuations which may, from time to time, impact its financial position and results. However, management of the Company mitigates any such risk by matching revenue earned from properties located in the U.S. against U.S. liabilities in respect of such properties. It is the Company's stated intention to sell its U.S. revenue properties, thereby substantially reducing this risk.

CONCLUSIONS AND OUTLOOK

As we look to the future, we are confident that everything is coming into focus for Dundee Realty. We have assembled an excellent portfolio of office and industrial properties in key Canadian cities, but perhaps more importantly, we now have the strong organization and scalable operating platform necessary to manage it. We thank our directors and employees, who continue to be highly motivated and enthusiastic. Together, we intend to continue to work hard to position Dundee Realty as Canada's market leader in providing affordable business premises.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee Realty. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments when appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee, which is comprised of directors, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Directors, which approves the consolidated financial statements.

Arthur Andersen LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without management present.

MICHAEL J. COOPER
President and Chief Executive Officer

JEFF B. BARNES
Executive Vice-President and Chief Financial Officer

Toronto, Ontario
April 3, 2000

AUDITORS' REPORT

To the Shareholders of Dundee Realty Corporation:

We have audited the consolidated balance sheet of Dundee Realty Corporation as at December 31, 1999 and the consolidated statements of earnings, retained earnings, cash flow from operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and the results of its operations, cash flow from operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 1998 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 8, 1999.

Arthur Andersen LLP

CHARTERED ACCOUNTANTS
Toronto, Ontario
March 3, 2000

CONSOLIDATED BALANCE SHEET

As at December 31 (in thousands of dollars)	Note	1999	1998
ASSETS			
Revenue properties	4	$ 877,523	$ 822,811
Land	5	70,432	67,303
Housing and condominiums	6	28,797	38,175
Amounts receivable and other assets	7	100,536	99,796
Portfolio investments	8	33,080	22,614
Cash and short-term deposits	9	2,268	24,437
		$ 1,112,636	$ 1,075,136
LIABILITIES			
Debt	10	$ 556,293	$ 506,949
Amounts payable and accrued liabilities	11	63,578	63,071
		619,871	570,020
SHAREHOLDERS' EQUITY	12	492,765	505,116
		$ 1,112,636	$ 1,075,136

On behalf of the Board:

MICHAEL J. COOPER
Director

NED GOODMAN
Director

CONSOLIDATED STATEMENT OF EARNINGS

For the Years Ended December 31 (in thousands of dollars, except per share amounts)	Note	1999	1998
REVENUE			
Revenue properties		$ 144,225	$ 107,691
Land		33,273	22,135
Housing and condominiums		37,649	38,706
Property management		7,413	6,813
Interest and other income		4,810	5,005
		227,370	180,350
OPERATING EXPENSES			
Revenue properties		77,005	54,993
Land		24,152	15,570
Housing and condominiums		35,371	34,781
Property management		7,149	6,422
		143,677	111,766
CONTRIBUTION FROM OPERATIONS		83,693	68,584
OTHER EXPENSES			
Interest	14	31,653	21,393
Amortization and depreciation		11,441	7,048
General and administrative		7,056	5,287
		50,150	33,728
INCOME BEFORE THE FOLLOWING ITEM		33,543	34,856
Gain (loss) on sale of revenue properties	15	(4,211)	665
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAX		29,332	35,521
Current income and large corporations tax	16	3,420	4,578
Deferred income tax	16	12,521	10,792
NET INCOME		$ 13,391	$ 20,151
NET INCOME PER COMMON SHARE			
Basic	1	$ 0.07	$ 0.15
Fully diluted	1	$ 0.07	$ 0.13

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Years Ended December 31 (in thousands of dollars)	1999	1998
RETAINED EARNINGS, BEGINNING OF YEAR	$ 27,129	$ 6,978
Net income	13,391	20,151
RETAINED EARNINGS, END OF YEAR	$ 40,520	$ 27,129

CONSOLIDATED STATEMENT OF CASH FLOW FROM OPERATIONS

For the Years Ended December 31 (in thousands of dollars, except per share amounts)	Note	1999	1998
Net income		$ 13,391	$ 20,151
Non-cash items:			
Deferred income tax		12,521	10,792
Amortization and depreciation		11,441	7,048
(Gain) loss on sale of revenue properties		4,211	(665)
CASH FLOW FROM OPERATIONS		$ 41,564	$ 37,326
CASH FLOW FROM OPERATIONS PER SHARE			
Basic	1	$ 0.23	$ 0.28
Fully diluted	1	$ 0.23	$ 0.23

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended December 31 (in thousands of dollars)	Note	1999	1998
OPERATING ACTIVITIES			
Cash flow from operations		$ 41,564	$ 37,326
Revenue property tenant inducements		(5,135)	(4,930)
Development of housing and condominiums		9,378	(10,457)
Acquisition of land held for development		(1,449)	(6,400)
Development of land inventory		(1,792)	296
Land mortgages, housing advances and demand loans		4,264	10,766
Change in non-cash working capital items		(20,744)	(46,863)
		26,086	(20,262)
INVESTING ACTIVITIES			
Investment in revenue properties	3	(43,440)	(139,058)
Proceeds from sale of revenue properties		14,630	5,520
Portfolio investments		(10,466)	(2,509)
Acquisition of Camreal Group	2	–	15,504
		(39,276)	(120,543)
FINANCING ACTIVITIES			
Mortgage financing		1,353	41,018
Term debt, bank loans and debentures		11,443	(21,705)
Common shares acquired net of costs	12	(22,394)	(16,319)
Restricted cash		619	(3,716)
Proceeds from share issues net of costs	12	–	142,028
		(8,979)	141,306
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(22,169)	501
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		24,437	23,936
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 2,268	$ 24,437

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Dundee Realty Corporation ("the Company") is a diversified public real estate company engaged primarily in the ownership, development and management of commercial revenue properties in Canada, and, to a lesser degree, land and housing development in Canada and the United States. The Company's common shares are listed under the symbol "D" on The Toronto Stock Exchange.

These financial statements are prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA") and are substantially in accordance with the practices recommended by the Canadian Institute of Public Real Estate Companies.

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries, together with the Company's proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which it participates. Long-term investments, including portfolio investments, are carried at cost or at cost less amounts written off to reflect a decline in value which is other than temporary.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Revenue Recognition

LAND

Revenue from the sale of developed sites and land sold to third parties is recognized at the time the agreement of purchase and sale is executed and unconditional, at least 15% of the sale proceeds has been received and the collectability of the remaining proceeds is reasonably assured.

HOUSING AND CONDOMINIUMS

Revenue is recognized when ownership has been transferred to the purchaser and collectibility of the proceeds is assured.

Revenue Properties

Land, buildings, ski area infrastructure, equipment and vehicles are stated at the lower of cost less accumulated depreciation and the net recoverable amount. Cost includes interest on project specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs for revenue properties under development less revenues earned prior to the project being declared operational. The net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the ongoing use of the property combined with its estimated residual value.

Buildings and improvements are depreciated using the sinking fund method, under which an amount, which increases at 5% per annum, is charged to income so as to fully depreciate the buildings and improvements over their estimated useful life of 40 years. Leasehold improvements and tenant inducements other than initial leasing costs are amortized on a straight-line basis over the term of the applicable lease. Pavement, ski area infrastructure, equipment and vehicles are depreciated on the declining balance basis over their estimated useful life at 8% to 30% per annum.

Land, Housing and Condominiums

Land, housing and condominiums are stated at the lower of cost and net realizable value. Costs include all related development costs, interest on property specific and general debt, property taxes and applicable general and administrative expenses incurred during construction, less miscellaneous revenue earned during the construction period.

LAND

Costs are accumulated in land held for development and are transferred to land under development when a subdivision or phase is commenced. Interest on general debt is not capitalized on land held for development but is capitalized on land under development.

HOUSING AND CONDOMINIUMS

CONSTRUCTION IN PROGRESS This includes housing and condominiums under construction and completed and held for sale. Cost of these inventories includes all related development costs, interest on project specific and general debt, property taxes and applicable general and administrative expenses incurred during construction, less miscellaneous revenue earned during the construction period.

LOTS HELD FOR FUTURE CONSTRUCTION These represent lots purchased from third parties and held for future housing and condominium construction. Cost of these inventories includes all related development costs, interest on project specific and general debt and property taxes.

Foreign Currency Translation

The Company's foreign operations are financially self-sustaining. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation gains and losses are deferred as a separate component of shareholders' equity until there has been a realized reduction in the underlying investment.

Foreign Currency Transactions

Other assets and liabilities to be settled in U.S. dollars or German marks are translated into Canadian dollars using the year-end rate of exchange. Gains and losses are included in the consolidated statement of earnings.

Amounts Receivable and Other Assets

Amounts receivable and other assets include trade receivables, deposits and loans receivable, office premise improvements, furniture, computer equipment, vehicles, goodwill, and prepaid and deferred expenses.

Office premise improvements, furniture, computer equipment and vehicles are depreciated over their estimated useful lives using the declining balance method at 20% to 30% per annum. Depreciation is calculated at half the annual rate in the year of acquisition.

Goodwill is recorded at cost less accumulated amortization, and represents the excess of the purchase price over the fair value assigned to the identifiable tangible net assets acquired. Goodwill is amortized on a straight-line basis over 10 years. The Company evaluates the carrying value of goodwill for permanent impairment on an ongoing basis and assesses the recoverability of this amount based on a review of future operating income on a non-discounted basis.

Deferred expenses include:

- Debt issue expenses, which are amortized over the term of the debt; leasing costs, which are amortized over the life of the lease; and building alteration costs, which are amortized over their estimated useful life;
- Investigative and pre-development expenditures, which can include an allocation of general and administrative expenses incurred on specific potential projects. These costs are deferred until the project is either abandoned, at which time the costs are written-off, or until the project proceeds to the construction stage, at which time the costs are capitalized to the project;
- Direct acquisition costs, which exclude general and administrative costs, are deferred until the acquisition is completed, and the costs are capitalized to the acquisition, or the acquisition is abandoned, at which time the costs are written off; and
- Recoverable operating expenses, which are amortized over the period during which they are recoverable from tenants.

Income Taxes

The Company follows the tax deferral method whereby earnings are charged with income taxes relating to reported earnings. Differences between such taxes and those currently payable or recoverable are reflected in deferred income taxes and arise because of differences between the time that certain items of revenue and expense are reported in the consolidated financial statements and the time that they are reported for income tax purposes.

Cash Flow from Operations

Cash flow from operations includes imputed non-cash free rent totalling $1,359 for the year ended December 31, 1999 and $765 for the year ended December 31, 1998.

Statement of Cash Flows

For the purpose of the consolidated statement of cash flows, the Company considers all short-term investments with a maturity of three months or less to be cash equivalents and excludes cash subject to restrictions that prevent its use for current requirements. Comparative information for 1998 has been restated to conform to the new recommendations in Section 1540 of the CICA Handbook.

Net Income and Cash Flow from Operations Per Share

Net income and cash flow from operations per share have been calculated using the weighted average number of common shares outstanding during the year of 179,379,196 (1998 – 133,920,853). The weighted average number of shares has been reduced by 2,200,000 shares, representing the security underlying $4,220 of directors and officers share purchase loans (see note 12). Fully diluted net income and cash flow from operations per share have been calculated using the weighted average number of common shares, special warrants, options, and exchange rights outstanding of 191,708,267 (1998 – 168,245,614). The fully diluted net income and cash flow from operations per share have been adjusted to reflect a return of 6.85% on the proceeds that would be received by the Company on the exercise of the weighted average number of options outstanding during the years ended December 31, 1999 and 1998. The adjustment to net income and cash flow from operations was $1,673 for the year ended December 31, 1999 and $1,444 for the year ended December 31, 1998.

2. BUSINESS ACQUISITIONS

On April 30, 1998, the Company completed a business combination (the "Business Combination") whereby it acquired Camreal Corporation, Lehndorff Consolidated Canadian Properties ("LCCP"), Lehndorff Consolidated American Properties, L.P. ("LCAP") and related subsidiaries (the "Camreal Group"). The completion of the Business Combination also resulted in the formation of Dundee Consolidated Properties ("DCP") from a consolidation of existing partnership interests in LCCP and LCAP.

As a result of the Business Combination, the Company acquired the assets and operations of the Camreal Group in exchange for 2,145,012 common shares of the Company and 195,275,851 exchange rights. Each exchange right entitled the holder to receive 0.325 common shares of the Company in exchange for each limited partnership unit in DCP. On July 13, 1998, 82.8% of the holders exercised their exchange rights and on October 1, 1998 the Company caused the exercise of all of the remaining exchange rights. In total, 63,351,342 common shares have been issued upon exercise of the exchange rights (see note 12).

The results of operations of the Camreal Group are included in the consolidated statements of earnings, cash flow from operations and cash flows commencing on April 30, 1998.

The net assets acquired and consideration issued using the purchase method of accounting, as at April 30, 1998, at assigned values, were as follows:

ASSETS	
Revenue properties	$ 400,844
Land	28,811
Amounts receivable and other assets	42,990
Goodwill	22,565
Investments	16,650
Cash and short-term deposits	15,504
	$ 527,364
LIABILITIES	
Mortgages payable	$ 101,638
Term debt and bonds	146,009
Bridge loan	20,903
Amounts payable, accrued liabilities and other	61,985
	$ 330,535
NET ASSETS ACQUIRED	$ 196,829
Exchange rights (195,275,851 at $0.975)	$ 190,394
Common shares (2,145,012 at $3.00)	6,435
CONSIDERATION	$ 196,829

3. INVESTMENT IN REVENUE PROPERTIES

In addition to the business acquisition referred to above, the Company acquired other revenue properties and invested in existing buildings in 1999 and 1998 as follows:

1999	Share Consideration	Cash Consideration	Financing Assumed	Total Consideration
Revenue property acquisitions	$ –	$ 37,988	$ 93,013	$ 131,001
Major renovations	–	1,965	155	2,120
Building improvements	–	7,532	–	7,532
	$ –	$ 47,485	$ 93,168	$ 140,653
Adjustment for non-cash items				(97,213)
Investment in revenue properties				$ 43,440

Product Type	Total Consideration
Office	35,682
Industrial	$ 93,760
Retail	1,559
TOTAL	$ 131,001

1998	Share Consideration	Cash Consideration	Financing Assumed	Total Consideration
Revenue property acquisitions	$ 19,992	$ 109,791	$ 151,363	$ 281,146
Major renovations	–	22,216	–	22,216
Building improvements	–	6,967	–	6,967
	$ 19,992	$ 138,974	$ 151,363	$ 310,329
Adjustment for non-cash items				(171,271)
Investment in revenue properties				$ 139,058

Product Type	Total Consideration
Office	146,266
Industrial	$ 106,014
Retail	23,230
Residential	5,636
TOTAL	$ 281,146

4. REVENUE PROPERTIES

	1999	1998
Land	$ 169,150	$ 153,797
Building and building improvements	700,387	663,575
Equipment	4,187	3,873
Deferred leasing cost	8,653	7,016
Revenue properties under construction	8,560	–
	890,937	828,261
Accumulated depreciation	(13,414)	(5,450)
	$ 877,523	$ 822,811

5. LAND

	1999	1998
Land under development	$ 12,515	$ 10,514
Land held for development	57,917	56,789
	$ 70,432	$ 67,303

6. HOUSING AND CONDOMINIUMS

	1999	1998
Construction in progress	$ 27,614	$ 37,252
Lots held for future construction	1,183	923
	$ 28,797	$ 38,175

7. AMOUNTS RECEIVABLE AND OTHER ASSETS

	1999	1998
Amounts receivable and deposits	$ 46,881	$ 44,356
Loans receivable	10,107	15,678
Prepaid and deferred expenses	14,530	8,877
Furniture, equipment and vehicles (net of accumulated depreciation of $1,586 at December 31, 1999 and $761 at December 31, 1998)	3,665	2,345
Goodwill (net of accumulated amortization of $4,363 at December 31, 1999 and $1,795 at December 31, 1998)	21,254	23,822
Restricted cash	4,099	4,718
	$ 100,536	$ 99,796

Amounts receivable and deposits included U.S. dollar denominated receivables totalling $2,878 [U.S. $1,994] (1998 – $7,692 [U.S. $5,028]). Other assets included U.S. dollar denominated assets totalling $684 [U.S. $474] (1998 – $12,167 [U.S. $7,953]). The book value of the loans receivable equalled their market value at December 31, 1999 and 1998.

8. PORTFOLIO INVESTMENTS

Portfolio investments had a quoted market value of $36,427 at December 31, 1999 (1998 – $22,503).

9. CASH AND SHORT-TERM DEPOSITS

Cash balances at December 31, 1999 included U.S. dollar denominated cash of $1,886 [U.S. $1,307] (1998 – $3,961 [U.S. $2,589]). The carrying values of the Company's short-term deposits approximated their market value due to the proximity of maturity of these instruments. Short-term deposits at December 31, 1998 totalling $3,900 (1999 – $0) were invested in a money market fund that is managed by a subsidiary of a significant shareholder of the Company.

10. DEBT

As at December 31, 1999 and 1998, debt was composed of the following:

	1999	1998
Mortgages payable	$ 401,274	$ 339,459
Term debt, bank loans and debentures	129,103	145,728
Land mortgages, housing advances and demand loans	25,916	21,762
	$ 556,293	$ 506,949

The weighted average interest rates for the fixed and floating components of the debt were as follows:

	Weighted Average Interest Rates				
	1999	1998	Maturity Dates	1999	1998
Fixed rate	7.26%	6.97%	2000 to 2009	$ 488,788	$ 417,789
Variable rate	8.00%	8.48%	2000 to 2003	67,505	89,160
	7.34%	7.24%		$ 556,293	$ 506,949

The scheduled principal repayments and debt maturities were as follows:

	1999
2000	$ 93,276
2001	193,462
2002	16,281
2003	50,121
2004 and thereafter	203,153
	$ 556,293

A. MORTGAGES PAYABLE

	Weighted Average Interest Rates				
	1999	1998	Maturity Dates	1999	1998
Fixed rate	7.31%	6.97%	2000 to 2008	$ 393,399	$ 330,920
Variable rate	9.75%	9.74%	2000 to 2001	7,875	8,539
	7.36%	7.04%		$ 401,274	$ 339,459

Mortgages were secured by first and second charges on specific revenue properties.

The fair value of the mortgages payable was estimated to be $395,375 at December 31, 1999 (1998 – $336,470). At December 31, 1999, mortgages included U.S. dollar denominated debt of $51,751 [U.S. $35,856] (1998 – $60,518 [U.S. $39,558]).

B. TERM DEBT, BANK LOANS AND DEBENTURES

	Weighted Average Interest Rates 1999	1998	Maturity Dates	1999	1998
Term loans: Fixed rate	7.02%	7.02%	2001 to 2002	$ 67,771	$ 70,684
Variable rate	7.73%	8.45%	2001 to 2002	45,699	63,108
Bank loans: Fixed rate	6.91%	7.50%	2000	15,633	505
Variable rate	–	7.75%	–	–	8,000
Debentures: Fixed rate	–	8.00%	–	–	3,431
	7.26%	7.71%		$ 129,103	$ 145,728

The term loans and debentures were secured by specific revenue property and land assets. Bank loans were secured by general security agreements.

The fair market value of the term loans, debentures and bank loans at December 31, 1999 was estimated to be $128,097 (1998 – $133,460).

C. LAND MORTGAGES, HOUSING ADVANCES AND DEMAND LOANS

	Weighted Average Interest Rates 1999	1998	Maturity Dates	1999	1998
LAND MORTGAGES					
Fixed rate	6.40%	5.93%	2000	$ 6,980	$ 9,590
Variable rate	7.81%	7.75%	2000 to 2003	5,113	3,132
				12,093	12,722
HOUSING ADVANCES AND DEMAND LOANS					
Fixed rate	7.92%	6.53%	2000	5,005	2,659
Variable rate	8.04%	8.39%	2000	8,818	6,381
				13,823	9,040
	7.53%	6.99%		$ 25,916	$ 21,762

Land mortgages and demand loans were secured by first charges on specific lands under development or lands held for development.

The fair value of the mortgages, advances and demand loans was estimated to be $25,157 at December 31, 1999 (1998 – $21,848). At December 31, 1999, mortgages and advances included U.S. dollar denominated debt of $2,044 [U.S. $1,416] (1998 – $3,249 [U.S.$2,124]).

11. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

Amounts payable and accrued liabilities included the following:

	1999	1998
Trade payables	$ 12,066	$ 29,224
Accrued liabilities and other payables	21,922	17,973
Deposits	4,531	4,116
Deferred revenue	5,730	6,340
Deferred income tax payable	12,451	158
Cost to complete	6,878	5,260
	$ 63,578	$ 63,071

At December 31, 1999, trade payables included U.S. dollar denominated obligations of $698 [U.S. $484] (1998 – $4,338 [U.S. $2,836]).

12. SHAREHOLDERS' EQUITY

Shareholders' equity consisted of the following:

	1999	1998
Share capital	$ 420,948	$ 463,223
Directors and officers share purchase loans	(4,220)	(4,220)
Contributed surplus	33,309	13,200
Retained earnings	40,520	27,129
Foreign currency translation adjustment	2,208	5,784
	$ 492,765	$ 505,116

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preference shares issuable in series. The preference shares will have such designations, rights, privileges, restrictions and conditions as the directors of the Company may determine.

Directors and officers share purchase loans totalling $4,220 have been deducted from shareholders' equity. Of these loans, $4,000 was provided in 1998 for the purchase of 2,000,000 common shares, while the remaining $220 was provided in 1997 for the purchase of 200,000 common shares. These loans are non-interest bearing and are secured by 2,200,000 common shares of the Company (quoted value at December 31, 1999 of $1.46). The average purchase price for the 1998 purchases was $2.00 while the average purchase price for the 1997 purchases was $1.10. The loans are only repayable if the directors or officers elect to sell their common shares, or if they leave the Company.

On April 12, 1999, the Company completed a normal course issuer bid announced on September 11, 1998. The purchases were made at prices ranging from $1.18 to $1.75, with an average purchase price of $1.37. Purchases under this bid totalled 2,477,400 shares in 1999.

On May 4, 1999, the Company and Dundee Bancorp Inc. (TSE: DBC.A, a significant shareholder of the Company) announced that they were proceeding with a proposal to purchase up to an aggregate maximum of 45 million common shares of the Company at a price of $1.40 per common share payable in cash.

The Company made a substantial issuer bid to its shareholders to purchase for cancellation up to 22.5 million of its currently outstanding common shares. Concurrently, Dundee Bancorp Inc. made an offer to the shareholders of the Company to purchase up to 22.5 million common shares. The two offers were made simultaneously, ran concurrently and expired on May 26, 1999. A total of 21,663,409 common shares were tendered and were taken up by the Company and Dundee Bancorp Inc. in equal amounts.

On September 13, 1999, the Company announced its intention to make a normal course issuer bid to acquire up to 11,911,536 common shares through the facilities of The Toronto Stock Exchange. The normal course issuer bid will terminate on the earlier of either the date by which the maximum number of common shares have been purchased or September 12, 2000. These common shares represented approximately 10% of the public float of the Company as defined in The Toronto Stock Exchange Policy Statement on normal course issuer bids. The bid limits the acquisitions to a maximum of 3,540,250 common shares in any rolling thirty-day period. As part of this bid, the Company acquired 2,992,400 common shares during 1999 at an average price of approximately $1.14. The difference between the cost of the purchased shares and the stated capital per share at the time of the purchase was recorded as contributed surplus. Subsequent to December 31, 1999, and by March 3, 2000, the Company acquired an additional 3,447,550 common shares at an average price of $1.12.

The share capital issued was net of $14,335 of share issue and buyback costs that have been tax effected.

Giving effect to the above-described items, as well as to the items in note 2, the capital structure of the Company as at December 31, 1999 and 1998 was as follows:

	Common Shares			Contributed Surplus
	Shares	Amount	Associated Issue Costs	Amount
AS AT DECEMBER 31, 1997	79,672,921	$ 133,694	$ (5,376)	$ –
Conversion of special warrants	50,000,000	150,000	(2,213)	–
Conversion of Camreal special shares	2,145,012	6,435	–	–
Conversion of Cargill special shares	6,663,889	19,992	–	–
Options exercised December 23, 1998	283,333	312	–	–
Common shares issued on voluntary exercise of exchange rights (July 13, 1998)	52,564,975	157,698	(451)	–
Common shares issued on mandatory exercise of exchange rights (October 1, 1998)	10,786,367	32,695	(91)	–
Common shares acquired and cancelled under normal course issuer bid	(11,794,800)	(29,420)	(53)	13,200
AS AT DECEMBER 31, 1998	190,321,697	$ 471,406	$ (8,184)	$ 13,200
Common shares acquired and cancelled under normal course issuer bids	(5,469,800)	(14,233)	(45)	7,520
Common shares acquired and cancelled under substantial issuer bid	(10,831,705)	(27,753)	(243)	12,589
AS AT DECEMBER 31, 1999	174,020,192	$ 429,420	$ (8,472)	$ 33,309
Common shares acquired and cancelled under normal course issuer bid from January 1, 2000 until March 3, 2000	(3,447,500)	$ (3,852)	$ (23)	

Share options have been granted to certain directors, officers and employees of the Company. The following table sets out the particulars of the share options outstanding:

	1999	1998
Outstanding at beginning of year	11,852,500	4,978,333
Issued during the year:		
At exercise price of $3.00	–	7,402,500
At exercise price of $1.40	3,495,700	–
Exercised during the year:		
At exercise price of $1.10	–	(283,333)
Cancelled during the year:		
At exercise price of $3.00	(2,557,500)	(245,000)
At exercise price of $1.85	(125,000)	–
At exercise price of $1.40	(224,100)	–
OUTSTANDING AT END OF YEAR	12,441,600	11,852,500

Of the options granted at $1.40 during 1999, $1,328,300 are subject to approval at the Annual and Special Meeting of Shareholders, to be held on May 8, 2000. The Company is authorized to issue an additional 246,700 options at an exercise price of $1.40.

Share options outstanding at the end of the year have exercise prices and expiry dates as follows:

Exercise Price	Options Outstanding at December 31, 1999	Options Outstanding at December 31, 1998	Expiry Date
$ 1.10	2,175,000	2,175,000	October 23, 2006
1.40	1,943,300	–	September 14, 2009
1.40	1,328,300	–	September 14, 2009
1.85	125,000	250,000	December 3, 2006
2.30	225,000	225,000	February 5, 2007
3.00	1,805,000	1,965,000	December 8, 2007
3.00	1,020,000	3,072,500	March 5, 2008
3.00	2,850,000	2,325,000	March 18, 2008
3.00	795,000	1,580,000	September 29, 2008
3.00	–	85,000	October 14, 2008
3.00	175,000	175,000	November 19, 2008
	12,441,600	11,852,500	

13. JOINT VENTURES AND CO-OWNERSHIPS

The Company participates in incorporated and unincorporated joint ventures, partnerships and co-ownerships with other parties and accounts for its interest using the proportionate consolidation method.

The following amounts represent the total assets and liabilities of joint ventures, partnerships and co-ownerships in which the Company participates and its proportionate share of the assets, liabilities, revenues, expenses and cash flows therein:

	Total at December 31		Proportionate Share at December 31	
	1999	1998	1999	1998
Assets	$ 455,461	$ 438,092	$ 160,269	$ 157,665
Liabilities	136,169	130,388	45,511	47,375

	Proportionate Share for the year ended December 31	
	1999	1998
Revenue	$ 26,886	$ 22,445
Expenses	19,287	16,626
Cash flow from (applied to):		
Operating activities	16,111	8,301
Financing activities	(13,942)	(11,807)
Investing activities	(611)	4,778
Net cash flow	$ 1,558	$ 1,272

14. INTEREST

Interest incurred, capitalized and charged to earnings was recorded as follows:

	1999	1998
Interest expense incurred, at stated rate of debt	$ 37,944	$ 25,691
Less: Marked to market adjustment of rate	(2,792)	(2,087)
Interest capitalized	(3,499)	(2,211)
INTEREST EXPENSE	$ 31,653	$ 21,393

Certain debt acquired as part of the acquisition of the Camreal Group, as well as other acquisitions in 1998 and 1999, has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked to market"). This marked to market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt.

15. GAIN (LOSS) ON SALE OF REVENUE PROPERTIES

Included in loss on sale for 1999 is a $2,797 provision for diminution of value of an office building.

16. INCOME AND LARGE CORPORATIONS TAX

For the Years Ended December 31	1999	1998
Income tax provision based on Canadian statutory tax rates	$ 13,053	$ 15,806
Increase (decrease) in provision resulting from:		
Debt forgiveness	2,382	–
Large corporations tax	1,851	1,504
Loss on disposal of income producing properties	1,360	–
Amortization of goodwill	1,143	519
Corporate minimum tax	565	613
Loss carry forwards not previously tax effected	(4,320)	(2,229)
Foreign operations' tax rate	(195)	(617)
Other items	102	(226)
TOTAL INCOME TAX PROVISION	$ 15,941	$ 15,370
Income tax provision consists of:		
Current income and large corporations tax	$ 3,420	$ 4,578
Deferred income tax	12,521	10,792
TOTAL	$ 15,941	$ 15,370

In 1999, income tax of $4,320 (1998 – $2,229), for which the Company would otherwise have provided, was eliminated due to the utilization of non-capital tax loss carry forwards.

The Company and its subsidiaries have non-capital tax loss carry forwards from 1999 and prior years of $291 (1998 – $9,999) which may be available to offset future taxable income, the benefit of which has not been recorded in the consolidated financial statements and will expire by 2006.

17. SEGMENTED INFORMATION

The Company's reportable operating segments are comprised of property management, land and housing operations and three different types of revenue properties.

The Company's revenue properties comprise its primary business unit and have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each.

The business unit that manages land and housing operations is independent of the revenue property operations.

Management fees and related expenses for all properties managed on behalf of third parties are combined with acquisition and disposition transaction fees and related expenses and reported under the property management segment.

The accounting policies of the segments are as described in the summary of significant accounting policies. The Company does not allocate interest expense to these segments, since leverage is viewed as a corporate function. The decision on where to incur the debt is made based largely on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes, general and administrative expenses, and corporate amortization and depreciation are not allocated to the operating segments. All inter-segment sales have been eliminated from the consolidated financial statements and the following tables.

A. BY ACTIVITY

	Revenue Properties							
For the Year Ended December 31, 1999	Office	Industrial	Retail	Other	Land	Housing and Condominiums	Property Management	Totals
OPERATIONS								
Revenue	$ 64,422	$ 26,341	$ 38,775	$ 14,687	$ 33,273	$ 37,649	$ 7,413	$ 222,560
Operating expenses	(36,008)	(10,574)	(18,916)	(11,507)	(24,152)	(35,371)	(7,149)	(143,677)
Depreciation and amortization	(3,567)	(1,653)	(1,809)	(785)	–	–	–	(7,814)
INCOME BEFORE INTEREST AND OTHER INCOME, INTEREST EXPENSE AND GENERAL AND ADMINISTRATIVE EXPENSES	$ 24,847	$ 14,114	$ 18,050	$ 2,395	$ 9,121	$ 2,278	$ 264	$ 71,069
SEGMENT ASSETS	$ 380,130	$ 267,142	$ 214,355	$ 15,896	$ 70,432	$ 28,797	$ –	$ 976,752
CAPITAL EXPENDITURES								
Investment in revenue properties	$ (51,849)	$ (85,119)	$ (2,677)	$ (1,008)	$ –	$ –	$ –	$(140,653)
Leasing costs	(2,928)	(1,211)	(806)	(77)	–	–	–	(5,022)
Development of land and housing	–	–	–	–	(1,792)	9,378	–	7,586
Acquisition of land held for development	–	–	–	–	(1,449)	–	–	(1,449)
TOTAL CAPITAL EXPENDITURES	$ (54,777)	$ (86,330)	$ (3,483)	$ (1,085)	$ (3,241)	$ 9,378	$ –	$(139,538)

	Revenue Properties							
For the Year Ended December 31, 1998	Office	Industrial	Retail	Other	Land	Housing and Condominiums	Property Management	Totals
OPERATIONS								
Revenue	$ 44,558	$ 18,126	$ 25,519	$ 19,488	$ 22,135	$ 38,706	$ 6,813	$ 175,345
Operating expenses	(23,298)	(6,498)	(11,681)	(13,516)	(15,570)	(34,781)	(6,422)	(111,766)
Depreciation and amortization	(1,826)	(961)	(914)	(934)	–	–	–	(4,635)
INCOME BEFORE INTEREST AND OTHER INCOME, INTEREST EXPENSE AND GENERAL AND ADMINISTRATIVE EXPENSES	$ 19,434	$ 10,667	$ 12,924	$ 5,038	$ 6,565	$ 3,925	$ 391	$ 58,944
SEGMENT ASSETS	$ 347,641	$ 198,817	$ 231,603	$ 44,750	$ 67,303	$ 38,175	$ –	$ 928,289
CAPITAL EXPENDITURES								
Investment in revenue properties	$(153,161)	$(118,804)	$ (31,582)	$ (6,782)	$ –	$ –	$ –	$(310,329)
Leasing costs	(3,880)	(691)	(947)	–	–	–	–	(5,518)
Camreal acquisition	(136,336)	(73,769)	(190,739)	–	(28,811)	–	–	(429,655)
Development of land and housing	–	–	–	–	296	(10,457)	–	(10,161)
Acquisition of land held for development	–	–	–	–	(6,400)	–	–	(6,400)
TOTAL CAPITAL EXPENDITURES	$(293,377)	$(193,264)	$(223,268)	$ (6,782)	$ (34,915)	$ (10,457)	$ –	$(762,063)

B. BY COUNTRY

For the Year Ended December 31, 1999	Canada	U.S.	Totals
OPERATIONS			
Revenue	$ 181,785	$ 40,775	$ 222,560
Operating expenses	(116,276)	(27,401)	(143,677)
Depreciation and amortization	(6,532)	(1,282)	(7,814)
INCOME BEFORE INTEREST AND OTHER INCOME, INTEREST EXPENSE AND GENERAL AND ADMINISTRATIVE EXPENSES	$ 58,977	$ 12,092	$ 71,069
SEGMENT ASSETS	$ 877,741	$ 99,011	$ 976,752
CAPITAL EXPENDITURES			
Investment in revenue properties	$ (139,579)	$ (1,074)	$ (140,653)
Leasing costs	(4,868)	(154)	(5,022)
Development of land and housing	(769)	8,355	7,586
Acquisition of land held for development	–	(1,449)	(1,449)
TOTAL CAPITAL EXPENDITURES	$ (145,216)	$ 5,678	$ (139,538)

For the Year Ended December 31, 1998	Canada	U.S.	Totals
OPERATIONS			
Revenue	$ 135,140	$ 40,205	$ 175,345
Operating expenses	(84,181)	(27,585)	(111,766)
Depreciation and amortization	(3,635)	(1,000)	(4,635)
INCOME BEFORE INTEREST AND OTHER INCOME, INTEREST EXPENSE AND GENERAL AND ADMINISTRATIVE EXPENSES	$ 47,324	$ 11,620	$ 58,944
SEGMENT ASSETS	$ 800,132	$ 128,157	$ 928,289
CAPITAL EXPENDITURES			
Investment in revenue properties	$ (308,291)	$ (2,038)	$ (310,329)
Leasing costs	(5,510)	(8)	(5,518)
Camreal acquisition	(323,172)	(106,483)	(429,655)
Development of land and housing	(8,192)	(1,969)	(10,161)
Acquisition of land held for development	(6,400)	–	(6,400)
TOTAL CAPITAL EXPENDITURES	$ (651,565)	$(110,498)	$ (762,063)

Reconciliations of segmented operating results and assets with consolidated net income and assets were as follows:

For the Years Ended December 31	1999	1998
REVENUE		
From operating segments	$ 222,560	$ 175,345
Interest and other income	4,810	5,005
TOTAL REVENUE	$ 227,370	$ 180,350
NET INCOME		
From operating segments	$ 71,069	$ 58,944
Interest and other income	4,810	5,005
Interest expense	(31,653)	(21,393)
Corporate depreciation and amortization	(3,627)	(2,413)
General and administrative	(7,056)	(5,287)
Gain (loss) on sale of revenue properties	(4,211)	665
Income and large corporations tax	(15,941)	(15,370)
TOTAL NET INCOME	$ 13,391	$ 20,151

At December 31	1999	1998
ASSETS		
Total segment assets	$ 976,752	$ 928,289
Amounts receivable and other assets	100,536	99,796
Portfolio investments	33,080	22,614
Cash and short-term deposits	2,268	24,437
TOTAL ASSETS	$ 1,112,636	$ 1,075,136

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For certain of the Company's financial instruments, including cash and short-term deposits, amounts receivable, amounts payable, accrued liabilities, land mortgages and housing advances, and bank indebtedness, the carrying amounts approximate the fair value due to their immediate or short-term maturity.

The fair value of debt is determined by discounting the future contractual cash flows under current financing arrangements at discount rates that represent borrowing rates presently available to the Company for loans with similar terms and maturities. Specific fair values are disclosed in the related notes.

The Company has exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt amounted to 12% (1998 – 18%) of the Company's total debt. In order to manage exposure to interest rate risk, the Company endeavours to maintain an appropriate mix of fixed and floating rate debt, stagger maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The Company is exposed to foreign exchange risk as it relates to its self-sustaining U.S. operations due to fluctuations in exchange rates between the Canadian and U.S. dollar. Changes in the exchange rate may result in a reduction or an increase in net income. The impact of foreign exchange fluctuations is deferred as a separate component of shareholders' equity until an investment has been liquidated. The Company mitigates this risk by matching foreign denominated debt with foreign assets.

The Company's assets are primarily office, industrial and retail revenue properties and land and housing. Credit risk arises from the possibility that tenants in revenue properties and purchasers of land, houses or condominiums may not fulfill their lease or contract obligations. Further risks arise in the event that borrowers default on the repayment of their loans to the Company. The Company mitigates its credit risks by attracting tenants and land buyers of sound financial standing, diversifying its mix of tenants and ensuring that adequate security has been provided in support of loans.

19. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements are recorded at the exchange amount and are as follows:

a) The Company collected $80 of rent in 1999 from Dundee Greenwin Advisor (1998 – $54).

b) No acquisition fees were received from a director of the Company in 1999 (1998 – $379). In the prior year, these revenues were included in property management revenue.

c) Brokerage fees totalling $80 were paid to a subsidiary of a significant shareholder of the Company in 1999 (1998 – $103). These fees were included in share issue expense and are presented on the consolidated balance sheet as a reduction in share capital.

20. COMMITMENTS AND CONTINGENCIES

a) The Company and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability which may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Company.

b) As at December 31, 1999, the Company had capital expenditures of $487 that were committed and outstanding (1998 – $3,378). These expenditures will be funded from operating working capital.

c) The Company is committed under operating leases for its office premises for the following approximate amounts: $1,035 for 2000, $1,198 for 2001, $1,236 for 2002, $1,276 for 2003 and a total of $2,682 thereafter.

21. COMPARATIVE FIGURES

The 1998 comparative figures have been reclassified to conform to the current year's presentation.

DIRECTORS

DR. GÜNTHER BAUTZ, DIRECTOR
KRONBERG, GERMANY
Director, Patents and Trademark Counsel, Braun GmbH

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KÖLN, GERMANY
Partner, Sal. Oppenheim jr. & Cie. KGaA

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Executive Vice-President, Dundee Bancorp Inc. and Chairman and Chief Executive Officer, Dundee Securities Corporation

DAVID J. CONTIS, DIRECTOR
SANTA MONICA, USA
Executive Vice-President and Chief Operating Officer, The Macerich Company

MICHAEL J. COOPER, DIRECTOR
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President and Chief Executive Officer, Dundee Realty Corporation

PETER A. CROSSGROVE, DIRECTOR
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Chairman, Premdor Inc.

MICHAEL FREUND, DIRECTOR
VANCOUVER, CANADA
President and Chief Executive Officer, Banyan Investment Management Ltd.

ROBERT GOODALL, DIRECTOR
TORONTO, CANADA
President, Canadian Mortgage Capital Corporation

DAVID J. GOODMAN, DIRECTOR
TORONTO, CANADA
President, Goodman & Company, Investment Counsel

NED GOODMAN, CHAIRMAN
TORONTO, CANADA
Chairman, President and Chief Executive Officer, Dundee Bancorp Inc.

GERT SILBER-BONZ, DIRECTOR
MICHELSTADT, GERMANY
Business Consultant

OFFICERS

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Executive Vice-President and Chief Financial Officer

DETLEF BIERBAUM
Vice-Chairman

PAUL BRAUN
Executive Vice-President, Investments

DON CHMARA
Senior Vice-President and Controller

MICHAEL COOPER
President and Chief Executive Officer

JANE GAVAN
Senior Vice-President and General Counsel

NED GOODMAN
Chairman

ADARSH KHOSLA
Senior Vice-President, Finance

MICHAEL KNOWLTON
Executive Vice-President and Chief Operating Officer

BRUCE TRAVERSY
Vice-President, Investor Relations and Corporate Analysis

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Edmonton, Alberta T5J 0H8
Telephone: 780.423.4800
Facsimile: 780.429.3914

DUNDEE REALTY MANAGEMENT CORPORATION
390 Bay Street, Suite 810
Toronto, Ontario M5H 2Y2
Telephone: 416.365.3537
Facsimile: 416.365.2333

DUNDEE REALTY MANAGEMENT CORPORATION
222 Queen Street, Suite 300
Ottawa, Ontario K1P 5V9
Telephone: 613.234.4416
Facsimile: 613.234.5640

GESTION IMMOBILIÈRE DUNDEE
9045 Chemin Côte-de-Liesse, Suite 200
Dorval, Québec H9P 2M9
Telephone: 514.631.6636
Facsimile: 514.631.6218

Development and Construction

DUNDEE DEVELOPMENT CORPORATION
2100 8th Street East, Suite 300
Saskatoon, Saskatchewan S7H 0V1
Telephone: 306.374.6100
Facsimile: 306.955.7673

DUNDEE DEVELOPMENT CORPORATION
1230 Blackfoot Drive, Suite 105
Regina, Saskatchewan S4S 7G4
Telephone: 306.347.8130
Facsimile: 306.347.8109

DUNDEE DEVELOPMENT CORPORATION
1305 11th Avenue SW, Suite 302
Calgary, Alberta T3C 3P6
Telephone: 403.245.3515
Facsimile: 403.244.2889

DUNDEE DEVELOPMENT CORPORATION
Canada Trust Tower
10104 103rd Avenue, Suite 1005
Edmonton, Alberta T5J 0H8
Telephone: 780.423.4805
Facsimile: 780.426.3378

United States

DUNDEE REALTY USA INC.
210 Offerson Road
Box 160
Beaver Creek, Colorado 81620
Telephone: 970.845.7838
Facsimile: 970.845.7237

TRANSFER AGENT

MONTREAL TRUST
151 Front Street West
Toronto, Ontario M5J 2N1

AUDITORS

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79 Wellington Street West, Suite 1900
P.O. Box 29, TD Centre
Toronto, Ontario M5K 1B9

CORPORATE COUNSEL

SMITH LYONS
Scotia Plaza
40 King Street West, Suite 5800
Toronto, Ontario M5H 3Z7

STOCK EXCHANGE LISTING

THE TORONTO STOCK EXCHANGE
Listing Symbol – D

CORPORATE INFORMATION

e-mail: info@dundeerealty.com
Website: www.dundeerealty.com

ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

Monday, May 8, 2000
4:00pm (Eastern Daylight Time)
Design Exchange, Toronto-Dominion Centre
234 Bay Street, Toronto, Ontario M5X 1B2

INTERBRAND TUDHOPE, TORONTO

This Annual Report contains or incorporates comments that constitute forward-looking statements. Reliance should not be placed on forward-looking statements because they involve risks and uncertainties which may cause actual performance and results to differ materially from the performance and results implied in such forward-looking statements. The Company has identified certain factors which may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; the Company's ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate fluctuations all as set forth in the Management's Discussion and Analysis section of this Annual Report, as well as in the Company's Information Form for the year ended December 31, 1999.

DUNDEE
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www.dundeerealty.com